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)

2018 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 2018 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Continuing operations			
Revenue	*3*	**90,523**	198,134
Cost of services		**(66,815)**	(166,866)
Gross profit		**23,708**	31,268
Other income	*5*	**11,850**	20,763
Other gains and losses	*5*	**(67,674)**	(26,885)
Administrative expenses		**(91,124)**	(66,081)
Impairment loss on goodwill		**(63,000)**	(31,000)
Loss on disposal of partial interest in a joint venture and the grant of the call option	*16*	**(218,793)**	–
Share of result of an associate		**10,499**	–
Share of result of a joint venture		**37,554**	43,508
Other expenses		**(2,646)**	(1,203)
Loss before taxation from continuing operations		**(359,626)**	(29,630)
Income tax expense	*6*	**(13,468)**	(6,059)
Loss for the year from continuing operations		**(373,094)**	(35,689)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(114)
Loss for the year	*7*	**(373,094)**	(35,803)

	NOTES	2018 HK$'000	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(372,098)**	(42,654)
Non-controlling interests		**(996)**	6,851
		(373,094)	(35,803)
Loss per share *(HK cent)*	*8*		
From continuing and discontinued operations			
Basic		**(3.12)**	(0.36)
Diluted		**(3.12)**	(0.36)
From continuing operations			
Basic		**(3.12)**	(0.36)
Diluted		**(3.12)**	(0.36)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(373,094)**	(35,803)
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**(55,461)**	71,640
Net fair value change on equity investments at fair value through other comprehensive income	**852**	–
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to disposal of foreign operation during the year	**–**	114
Net fair value loss on available-for-sale investments during the year	**–**	(932)
	–	(818)
Other comprehensive (expense) income for the year, net of income tax	**(54,609)**	70,822
Total comprehensive (expense) income for the year	**(427,703)**	35,019
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(419,522)**	17,245
Non-controlling interests	**(8,181)**	17,774
	(427,703)	35,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**30,338**	26,157
Goodwill		**9,373**	72,373
Interest in a joint venture		**–**	831,236
Interest in an associate		**315,705**	–
Available-for-sale investments		**–**	77,096
Equity investments at fair value through other comprehensive income		**35,174**	–
Finance lease receivables	*10*	**422,157**	602,643
Loan receivables	*11*	**17,076**	24,014
Restricted bank deposits		**19,865**	21,505
Service income receivables and deposits	*12*	**11,384**	12,693
		861,072	1,667,717
Current assets			
Inventory		**88**	–
Finance lease receivables	*10*	**427,304**	478,037
Loan receivables	*11*	**150,365**	101,022
Contract assets	*12*	**3,320**	–
Service income receivables, other receivables, deposits and prepayments	*12*	**33,278**	56,851
Held for trading investments		**–**	40,628
Financial assets at fair value through profit or loss		**58,434**	–
Deposit placed with non-bank financial institutions		**82,891**	143,288
Restricted bank deposits		**–**	40,167
Cash and cash equivalents		**262,123**	56,879
		1,017,803	916,872

	NOTES	2018 HK$'000	2017 HK$'000
Current liabilities			
Service cost payables, other payables and accruals	*13*	**27,232**	64,186
Deposits received from customers	*10*	**512**	35,094
Financial liability at fair value through profit or loss		**27,322**	–
Tax payable		**13,181**	17,055
Borrowings		**428,570**	472,795
		496,817	589,130
Net current assets		**520,986**	327,742
Total assets less current liabilities		**1,382,058**	1,995,459
Capital and reserves			
Share capital	*14*	**119,192**	119,192
Reserves		**668,745**	1,085,255
Equity attributable to owners of the Company		**787,937**	1,204,447
Non-controlling interests		**139,764**	149,961
Total equity		**927,701**	1,354,408
Non-current liabilities			
Deposits received from customers	*10*	**24,682**	25,912
Borrowings		**421,644**	597,466
Deferred tax liabilities		**8,031**	17,673
		454,357	641,051
		1,382,058	1,995,459

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 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

A HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

Finance lease receivables arising from leases are initially measured in accordance with HKAS 17 Leases.

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and change in classification of certain financial assets in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, accumulated losses and NCI as of 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Accumulated losses	
Accumulated losses as at 31 December 2017	(442,697)
Reclassify investments from available-for-sale at fair value to FVTPL *(note 2(a)A(i)(II) below)*	(932)
Restated accumulated losses as at 1 January 2018	(443,629)
Non-controlling interests	
Non-controlling interests as at 31 December 2017	149,961
Reclassify and remeasure investments from available-for-sale at cost to FVOCI *(note 2(a)A(i)(I) below)*	2,849
Restated non-controlling interests as at 1 January 2018	152,810
Investment revaluation reserve	
Reserve balance at 31 December 2017	(932)
Reclassify investments from available-for-sale at fair value to FVTPL *(note 2(a)A(i)(II) below)*	932
Reclassify and remeasure investments from available-for-sale at cost to FVOCI *(note 2(a)A(i)(I) below)*	3,012
Restated reserve balance as at 1 January 2018	3,012

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(I) As of 1 January 2018, certain unquoted equity investments of HK$24,014,000 were reclassified from available-for-sale financial assets at cost to FVOCI. These unquoted equity instrument were stated at cost in prior years. Those investments have been remeasured and stated at fair value amounted to HK$29,875,000. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVOCI and a fair value gain of HK$5,861,000 was recognised, with HK$3,012,000 and HK$2,849,000 recognised under the investment revaluation reserve and non-controlling interests respectively.

(II) As of 1 January 2018, certain listed and unlisted equity funds of HK$53,082,000 measured at fair value in prior year were reclassified from available-for-sale investments at fair value to financial assets at FVTPL.

(III) As of 1 January 2018, certain listed equity investments of HK$40,628,000 measured at fair value in prior year were reclassified from held for trading investments to financial assets at FVTPL.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9** (before adoption of HKFRS 15)
			HK$'000	*HK$'000*
Listed equity investments	Held-for-trading *(note2(a)A(i)(III))*	FVTPL	40,628	40,628
Listed equity funds	Available-for-sale (at fair value) *(note2(a)A(i)(II))*	FVTPL	12,024	12,024
Unlisted equity investments	Available-for-sale (at cost) *(note 2(a)A(i)(I))*	FVOCI	24,014	29,875
Unlisted equity funds	Available-for-sale (at fair value) *(note2(a)A(i)(II))*	FVTPL	41,058	41,058

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9 (before adoption of HKFRS 15)
			HK$'000	*HK$'000*
Loan receivables	Loans and receivables *(note 2(a)A(ii)(II))*	Amortised cost	125,036	125,036
Service income receivables *(note)*	Loans and receivables *(note 2(a)A(ii)(I))*	Amortised cost	45,786	45,786
Other receivables and deposits	Loans and receivables *(note 2(a)A(ii)(iv))*	Amortised cost	23,758	23,758
Restricted bank deposits	Loans and receivables *(note 2(a)A(ii)(III))*	Amortised cost	61,672	61,672
Cash and cash equivalent	Loans and receivables *(note 2(a)A(ii)(III))*	Amortised cost	56,879	56,879
Deposits placed with non-bank financial institutions	Loans and receivables *(note 2(a)A(ii)(III))*	Amortised cost	143,288	143,288

Note: As at 1 January 2018, an amount of HK$3,304,000 was reclassified from service income receivables to contract assets upon adoption of HKFRS 15. Details set out in note 2(a)B below.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for finance lease receivables, contract assets, service income receivable, other receivables and deposits and other financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

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

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for finance lease receivables, contract assets and service income receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For loan receivables and other debt financial assets, including other receivables and deposits, deposits placed with non-bank financial institutions, restricted banks deposits and cash and cash equivalent, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(I) Impairment of finance lease receivables, contract assets, and service income receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all finance lease receivables, contract assets, and service income receivables. Except for those which had been determined as credit impaired under HKAS 39, finance lease receivables have been assessed individually while contract assets and service income receivables have been grouped based on shared credit risk characteristics and the days past due.

At 1 January 2018, all the finance lease receivables, contract assets and service income receivables were not yet past due. Management assessed that the expected credit loss was not significant to the Group. There were no change in credit risk during the year ended 31 December 2018.

(II) Impairment of loan receivables

The Group's loan receivables are determined based on the 12 months ECLs. At 1 January 2018, one of the loan of HK$30,000,000 was past due. Management assessed that the loan was not credit-impaired and loss allowance was considered not significant. For other loan receivables, management assessed that there was no significant increase in credit risk on 1 January 2018 since initial recognition.

(III) Impairment of other debt investments (except for other receivables and deposits)

All of the Group's other debt investments at amortised costs are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs.

(IV) Impairment of other receivables and deposits

Other financial assets at amortised cost of the Group include deposits and other receivables. Applying the ECL model did not result in any recognition of ECL on 1 January 2018 as there was no significant increase in credit risk since initial recognition. A ECL of HK$800,000 is recognised for the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedients whereby any cumulative effect of initially applying HKFRS 15 is recognised as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated in this respect. The adoption of HKFRS 15 from 1 January 2018 has resulted in change in accounting policies of the Group. The impact on the adoption of HKFRS 15 to the Group's financial statements as at 1 January 2018 is the reclassification of an amount of HK$3,304,000 from service income receivables arising from asset management advisory services to contract assets. The impact to the consolidated financial statements of the Group as at 31 December 2018 is increase in contract assets and decrease in service income receivables for an amount of HK$3,320,000.

3. REVENUE

Revenue represents finance lease interest income generated from financial leasing, service fee income provided to outsiders and loan interest income from provision of loan facilities.

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Service fee income	**31,384**	134,510
Finance lease interest income	**54,609**	63,624
Loan interest income	**4,530**	–
	90,523	198,134

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including service fee income and asset management advisory service fee income, are as follows:

	2018	2017
	HK$'000	*HK$'000*
Type of services		
Advisory service fee income – at a point in time	**25,800**	134,510
Asset management advisory service fee income – over time	**5,584**	–
Total revenue recognised from contracts with customers	**31,384**	134,510

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 (Note)
Investment	–	investments in securities, 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")

Note: The segment result in 2018 represented share of result of the joint venture from 1 January 2018 to 31 August 2018 (i.e. the date of the completion), while share of result of an associate in the remaining period was separately shown in the unallocated profit or loss items.

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 2018

	Continuing operations				
	Financial leasing	Terminal and logistics services	Investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**85,993**	**–**	**4,530**	**–**	**90,523**
Segment (loss)/profit	**(65,441)**	**37,554**	**(59,116)**	**(4,234)**	**(91,237)**
Other income, gains and losses					**4,081**
Corporate expenses					**(72,846)**
Other expenses					**(1,524)**
Loss on disposal of partial interest in a joint venture and the grant of the call option					**(218,793)**
Gain on derecognition of subsidiaries					**10,194**
Share of result of an associate					**10,499**
Loss before taxation					**(359,626)**

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)

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, loss on disposal of partial interest in a joint venture and the grant of the call option, gain on disposal of subsidiaries, share result of an associate 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 2018

	Continuing operations				
	Financial leasing	Terminal and logistics services	Investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,184,885	–	139,668	8,556	1,333,109
Interest in an associate					315,706
Unallocated corporate assets					230,060
Consolidated assets					1,878,875
Segment liabilities	885,127	–	296	396	885,819
Unallocated corporate liabilities					65,355
Consolidated liabilities					951,174

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

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

– all assets are allocated to reportable and operating segments other than an office premise for administrative purpose, certain other receivables, certain deposits placed in non-bank financial institutions and certain bank balances and cash; and

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

Other segment information

For the year ended 31 December 2018

	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 of property, plant and equipment	**9**	**–**	**–**	**5,759**	**5,768**
Depreciation of property, plant and equipment	**337**	**–**	**–**	**–**	**337**
Change in fair value of equity investments at fair value through profit or loss	**8,824**	**–**	**37,544**	**–**	**46,368**
Interest income from loan receivables	**(5,243)**	**–**	**(4,530)**	**–**	**(9,773)**
Finance lease interest income	**(54,609)**	**–**	**–**	**–**	**(54,609)**
Interest expenses (included in cost of services)	**49,494**	**–**	**–**	**–**	**49,494**
Impairment loss on goodwill	**63,000**	**–**	**–**	**–**	**63,000**
Impairment loss on finance lease receivables	**1,553**	**–**	**–**	**–**	**1,553**
Impairment loss on loan receivables	**4,439**	**–**	**25,509**	**–**	**29,948**
Share of result of a joint venture	**–**	**(37,554)**	**–**	**–**	**(37,554)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Income tax credit	**(391)**	**–**	**(22)**	**–**	**(413)**

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:					
Addition 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:					
Income tax expense	5,974	–	85	–	6,059

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	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**29,650**	36,222
Customer B	**18,678**	N/A[1]
Customer C	**9,304**	N/A[1]
Customer D	**8,716**	51,782
Customer E	**N/A[1]**	27,297

[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. Expect for a revenue amount of HK$4,530,000 was generated in Hong Kong during the current year (2017: nil), the remaining amount of HK$85,993,000 (2017: HK$198,134,000) was generated in the PRC.

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:

	2018	2017
	HK$'000	*HK$'000*
PRC	**331,112**	904,295
Hong Kong	**24,304**	25,471
	355,416	929,766

Note: Non-current assets excluded property, plant and equipment, finance lease receivables and other financial instruments.

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2018	2017
	HK$'000	*HK$'000*
Other income		
Interest income from loan receivables	**5,179**	9,647
Interest income from banks and non-bank financial institutions	**5,243**	2,995
Dividend income from financial assets at fair value through profit or loss	**1,212**	–
Rental income	**–**	155
Government grants *(Note)*	**–**	4,552
Sundry income	**216**	3,414
	11,850	20,763

	2018	2017
	HK$'000	*HK$'000*
Other gains and losses		
Change in fair value of held for trading investments	**–**	(26,585)
Change in fair value in financial assets at fair value through profit or loss	**(46,368)**	–
Change in fair value in financial liability at fair value through profit or loss	**4,848**	–
Impairment loss on loan receivables	**(29,948)**	–
Impairment loss on finance lease receivables	**(1,553)**	–
Impairment loss on other receivables	**(800)**	–
Net foreign exchange losses	**(1,047)**	(168)
Loss on disposal of property, plant and equipment	**–**	(132)
Gain on derecognition of subsidiaries	**10,194**	–
Others	**(3,000)**	–
	(67,674)	(26,885)

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**–**	4,612
PRC withholding tax	**23,035**	1,084
	23,035	5,696
Overprovision in prior year:		
Hong Kong Profits Tax	**(22)**	(16)
Deferred tax (credit)/expense for current year	**(9,545)**	379
Taxation for the year	**13,468**	6,059

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.

PRC withholding tax represents the estimated capital gain tax arising from the disposal of partial interest in a joint venture (note 16).

7. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year from continuing operations is arrived at after charging:		
Auditor's remuneration	**1,500**	1,100
Depreciation of property, plant and equipment	**1,824**	1,787
Interest expenses (included in cost of services)	**49,494**	47,017
Minimum lease payment in respect of rental premises	**4,861**	4,039
Staff costs:		
Directors' and chief executive's emoluments	**43,198**	16,854
Other staff costs		
– Salaries and other benefits	**23,172**	25,940
– Retirement benefits scheme contributions	**1,635**	2,159
	68,005	44,953

8. LOSS PER SHARE

For continuing operations

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(372,098)**	(42,654)
Less: Loss for the year from discontinued operation	**–**	114
Loss for the purpose of basic and diluted loss per share from continuing operations	**(372,098)**	(42,540)

	2018	2017
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**11,919,198**	11,919,198
Number of ordinary shares for the purpose of diluted loss per share	**11,919,198**	11,919,198

The computation of diluted loss per share for the years ended 31 December 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.

For continuing and discontinued operations

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(372,098)**	(42,654)

The denominators used are the same as those detailed above.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HKNil cent per share (2017: basic loss per share is HK0.001 cent per share), based on the loss for the year from the discontinued operation of HK$Nil (2017: HK$114,000) and the denominators detailed above.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor had any dividend been proposed since the end of the reporting period (2017: Nil).

10. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2018	2017
	HK$'000	*HK$'000*
Finance lease receivables	**850,954**	1,080,680
Less: Provision for impairment losses	**(1,493)**	–
	849,461	1,080,680

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 4 years (2017: 3.5 years).

	2018	2017
	HK$'000	*HK$'000*
Non-current finance lease receivables	**422,157**	602,643
Current finance lease receivables	**427,304**	478,037
	849,461	1,080,680

Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**459,423**	518,710	**427,304**	478,037
Later than one year and not later than two years	**225,942**	333,528	**208,707**	309,093
Later than two years and not later than five years	**241,410**	305,398	**213,450**	293,550
	926,775	1,157,636	**849,461**	1,080,680
Less: unearned finance income	**(77,314)**	(76,956)	**–**	N/A
Present value of minimum lease payments receivable	**849,461**	1,080,680	**849,461**	1,080,680

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

As at 31 December 2018, finance lease receivables amounting to HK$701,931,000 (2017: HK$866,925,000) were guaranteed by related parties of customers and secured by the leased assets and/or 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 2018, the finance lease receivables with carrying amounts of HK$511,249,000 (2017: HK$656,169,000) were pledged as security for the Group's borrowings.

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.

Except for the impairment of the finance lease receivables of HK$1,493,000, the remaining amounts at the end of the reporting period are neither past due nor impaired. Movements in the provision for impairment loss are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of year	**–**	–
Impairment loss recognised for the year	**1,553**	–
Exchange difference	**(60)**	–
Balance at end of year	**1,493**	–

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.

Deposits of HK$25,194,000 (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. The deposits are non-interest bearing, carried effective interest rate at 4.75% (2017: 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.

11. LOAN RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Carrying amount receivable based on maturity set out in the loan agreements		
Within one year	**180,143**	101,022
More than one year but less than two years	**17,076**	24,014
	197,219	125,036
Less: Provision for impairment losses	**(29,778)**	–
	167,441	125,036

The Group's loan receivables included 3 major loans as follows.

(a) During the year ended 31 December 2016, the Group entered into a loan agreement with an individual borrower (the "Borrower") who is an independent third party. The loan of HK$30,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum, repayable on 3 February 2017 and guaranteed by another individual guarantor (the "Guarantor"). The Borrower and the Guarantor are the directors and substantial shareholders of a listed company in Hong Kong. On 7 February 2017, the Group entered into a loan extension agreement with the Borrower and the Guarantor, pursuant to which half of the loan receivable was repayable on 5 July 2017 and the other half was repayable on 29 December 2017. As at 31 December 2017, the total principal of the loan of HK$30,000,000, together with any accrued interest, have been past due but not impaired. In March and July 2018, the Borrower made two partial repayments totaling HK$4,491,000 of the overdue amount. Since then, no repayment received from the Borrower. The directors assessed that the loan receivable has been past due and credit-impaired based on the default history and so impairment loss based on lifetime ECL of HK$25,509,000 was recognised to profit or loss.

(b) During the year ended 31 December 2017, the Group entered into a loan agreement with another individual borrower who is an independent third party. The loan of HK$35,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum and repayable on 5 June 2018. During the year, the borrower has repaid the latest half-year interest and exercised an option to extend the repayment term by half-year to 5 December 2018. As at 31 December 2018, the loan principal and interest were overdue. The directors assessed that the loan balance and interests were past due but not credit-impaired as at 31 December 2018. Based on 12-month ECL, the directors assessed that the loss allowance was insignificant.

(c) During the year ended 31 December 2018, the Group entered into a loan agreement with an individual and his beneficial company, which are independent third parties. The loan of HK$80,000,000 is secured by certain Hong Kong listed securities, guaranteed, interest-bearing at fixed rate of 10% per annum and fully repayble on 8 November 2019. So, this loan receivable was not past due at 31 December 2018.

As at 31 December 2018, the Group's subsidiary, 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., "BJ Ever Grand"), invested in loan receivables with total principal amount of RMB50,000,000 (equivalent to approximately HK$56,920,000) (2017: RMB50,000,000 equivalent to approximately HK$60,035,000) through trust products issued by financial institutions in the PRC. Such loan receivables carried fixed interest rate ranging from 7.0% to 8.5% (2017: 7.0% to 7.4%) per annum with maturities in August 2018 to May 2020 (2017: August 2018 to September 2019). Included was a trust loan at principal amount of RMB5,000,000 (approximately HK$5,692,000) has been overdue since August 2018. The directors assessed that the overdue loan has been past due and its credit risk has been significantly increased. Accordingly, a lifetime impairment loss of HK$4,439,000 has been recognised to profit or loss for the year.

During the year ended 31 December 2018, the Group received interest income of HK$9,773,000 (2017: HK$9,647,000) of which HK$5,243,000 and HK$4,530,000 were recognised as other income and revenue respectively.

Movements in the provision for impairment loss under stage 3 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of year	**–**	–
Impairment loss recognised for the year	29,948	–
Exchange difference	(170)	–
Balance at end of year	29,778	–

Management applied a three-stage impairment model to assess the credit quality of the loan receivables. The loan receivables are categorised into the following stages by the Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

12. CONTRACT ASSETS, 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 contract assets and 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:

	2018	2017
	HK$'000	*HK$'000*
Contract assets 0 – 30 days under current assets	**3,320**	–
Service income receivables under current assets		
0–30 days	**–**	33,520
Over 365 days	**–**	12,266
	–	45,786
Other receivables, deposits and prepayments	**44,662**	23,758
	44,662	69,544
Less: Amount not receivable within one year shown under non-current assets	**(11,384)**	(12,693)
	33,278	56,851

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 using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets of HK$3,304,000 has been reclassified from service income receivables arising from asset management advisory services on the adoption of HKFRS 15 at 1 January 2018. As at 31 December 2018, contract assets amounted to HK$3,320,000 (2017: Nil).

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

Included in other receivables, deposits and prepayments was a deposit paid of HK$20,000,000 to a connected vendor for the acquisition of the entire issued share capital of Quantum Power Limited as disclosed in the Company's announcements dated 2 November 2018 and 8 January 2019 and the Company's circular dated 31 January 2019. Upon the completion of the acquisition, the amount has been utilised to offset the consideration.

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

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**1,563**	1,553
Deposits	**32,465**	13,339
Deposits for property, plant and equipment	**288**	686
Other receivables	**10,346**	8,180
	44,662	23,758

Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period. Deposits mainly represented an amount of approximately HK$11,384,000 (2017: HK$12,007,000) paid to a non-bank financial institution which was backed by a deposit of the same amount received from a customer for the underlying finance lease arrangements pursuant to the requirement from the non-bank financial institution. Such deposit has been classified as a non-current asset as the underlying finance lease has a term of over 1 year from the end of the reporting period. The remaining amounts of deposits represented deposits paid to third parties in the ordinary course of business.

Movement in the allowance of contract assets, service income receivables, other receivables and deposits for bad and doubtful debts

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Impairment loss for the year	**800**	–
Balance at end of the year	**800**	–

13. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Current liabilities		
Service cost payables	**7,563**	42,351
Accruals	**13,807**	13,180
Value-added tax payables	**336**	3,377
Other payables	**5,526**	5,278
	27,232	64,186

Service cost payables, other payables and accruals principally comprise amounts outstanding for service costs 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:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**3,320**	32,440
91–180 days	**–**	450
Over 365 days	**4,243**	9,461
	7,563	42,351

14. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	40,000,000	400,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	11,919,198	119,192

15. OPERATING LEASE ARRANGEMENT

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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**431**	145

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

16. LOSS ON DISPOSAL OF PARTIAL INTEREST IN A JOINT VENTURE AND THE GRANT OF THE CALL OPTION

On 15 May 2018, the Group entered into a sale and purchase agreement with the joint venture partner (the "Purchaser"), pursuant to which the Group disposed of 25% out of its 50% equity interest of Rizhao Lanshan, a joint venture ("JCE") of the Group, for a consideration of RMB294 million (equivalent to approximately HK$338 million). On the same date, the Group has also entered into a Call Option Undertaking to grant the Call Option to the Purchaser, pursuant to which the Purchaser is entitled to acquire the remaining 25% equity interest in Rizhao Lanshan at a consideration of RMB294 million (equivalent to approximately HK$338 million). Pursuant to the Call Option Undertaking, the Call Option is exercisable by the Purchaser at its discretion during the period from 1 January 2020 up to 30 June 2020 (both dates inclusive). Upon the completion of disposal on 31 August 2018, Rizhao Lanshan ceased to be a JCE of the Group and then become an associate of the Group.

The loss on partial disposal of JCE and the grant of the call option as at its disposal date was as follows:

	2018
	HK$'000
Consideration from joint venture partners	**337,849**
Fair value of the Call Option as at 31 August 2018	**(32,169)**
	305,680
Carrying value of 50% equity interest in JCE derecognised	**(829,911)**
Fair value of 25% equity interest in an associate at initial recognition	**305,607**
Stamp duty	**(169)**
Loss on partial disposal of JCE and the grant of the call option	**(218,793)**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The continuing operations of the Group recorded revenue of HK$90.5 million in 2018 as compared with HK$198.1 million in 2017, gross profit of HK$23.7 million in 2018 against HK$31.3 million in 2017 and net loss of HK$373.1 million in 2018 as compared to net loss of HK$35.7 million in 2017. Net loss of HK$0.1 million from the discontinued operation in 2017 while no profit or loss from such in 2018 since deconsolidation of its financial result following the completion of disposal of the Polishing Segment on 5 January 2017.

For the year under review, the Financial leasing business has contributed a segment loss of HK$65.4 million (including a non-cash impairment loss on goodwill of HK$63.0 million (2017: HK$31.0 million), as compared with a segment loss of HK$10.9 million in 2017 (definition of segment profit or loss and detailed analysis set out in note 4). The increase in loss is mainly due to an increase in impairment loss on goodwill by HK$32.0 million and the deteriorating operating results by HK$22.5 million primarily due to decrease in gross profit amount driven by lower number and lease volume of new finance lease transactions, fair value loss on the financial assets at FVTPL and an impairment loss on a loan receivable. The Terminal and logistics services recorded a segment profit of HK$37.6 million in 2018 as compared with segment profit HK$43.5 million in 2017. The decrease was mainly due to the segment profit in 2018 which only accounted for 50% profit sharing in JCE's result for the period from 1 January 2018 to 31 August 2018 (i.e. the date of the partial disposal), while that in 2017 covering the 12-months.

The Food additives business, classified under others in the segment information, has acquired the necessary machineries, equipment, manpower and production license for the first production line of solid sorbitol and performed test runs. It is expecting to commence normal production in the first half of 2019 after ascertaining the food safety requirements on the finished goods through a series of test runs. The segment loss of HK$4.2 million in this year (2017: HK$0.4 million) primarily represented the start-up cost of production lines of Sorbitol and back-end processing of nutrition supplements and research & development cost for the prospective production lines such as Advantame and EPS.

The investment division recorded interest income of HK$4.5 million from money lending business as revenue in 2018 (2017: HK$2.3 million as other income). A significant increase in segment loss from HK$24.3 million in 2017 to HK$59.1 million in 2018 was primarily due to the wider losses in the fair value of securities investments and an impairment loss on a loan receivable from the money lending business.

After considering the corporate expenses (2018: HK$72.8 million; 2017: HK$38.6 million), loss on partial disposal of JCE and the grant of a call option of HK$218.8 million (2017: Nil), gain on disposal of subsidiaries of HK$10.2 million (2017: Nil), share of result of an associate of HK$10.5 million (2017: Nil), certain unallocated other income, gains and losses, other expenses and income tax expense (2018: HK$13.5 million; 2017: HK$6.1 million), the Group recorded a net loss of HK$373.1 million (2017: net loss of HK$35.8 million) and a net loss attributable to the owners of the Company of HK$372.1 million in the Current Year (2017: net loss of HK$42.7 million).

To remove the non-cash material gain or loss from impairment on goodwill, loan receivables, finance lease receivables, partial disposal of equity interest in a joint venture & the grant of a call option, disposal of subsidiaries, and fair value gain on financial liability at FVTPL, the adjusted profit or loss from the continuing operations in both years can be reconciled as below:

	2018	2017
	HK$'000	*HK$'000*
Net loss from continuing operations	**(373,094)**	(35,689)
Add: impairment loss on the goodwill	**63,000**	31,000
Less: gain on disposal of subsidiaries	**(10,194)**	–
Add: Provision for impairment loss on the loan receivables and finance lease receivables	**31,501**	–
Add: loss on partial disposal of equity interest in a joint venture and the grant of a call option	**218,793**	–
Less: fair value gain of financial liability at FVTPL	**(4,848)**	–
	(74,842)	(4,689)

Continuing Operations

Revenue and gross profit

During the year, the financial leasing segment recorded revenue and gross profit of HK$86.0 million and HK$19.2 million (2017: HK$198.1 million and HK$31.3 million), representing 95% and 81% of the Group's revenue and gross profit respectively (2017: 100% and 100% respectively). The revenue of this segment 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 segment saw a remarkable decline on revenue and gross profit because of significant decrease in both number and total lease volume of new finance lease transactions. The number of new transactions was down to a single digit (2017: 18 transactions) while its aggregate lease volume fell by approximately 75% as compared with RMB3.1 billion in 2017. It was attributable to an economic turmoil in the People's Republic of China (the "PRC"). Such economic turmoil was, amongst others, triggered by the US-PRC trade war and consequently affected the customers' sentiment on capital investments and financing needs. The strict regulatory policies and intensified competition in the finance lease industry in the PRC also added fuel to the operating difficulties, including much more difficult to obtain credits from the banks with terms matching the customer's needs in term of size, interest rate and maturity terms as well as weakening the bargaining power of soliciting new projects. To safeguard our assets, the segment takes a prudent and conservative approach to explore the self-funded projects on the small-to-medium size enterprise in the PRC and did not complete any in 2018 until prospective customers with reasonably credit profile and/or sufficient value and liquidity of collateral and/or financial return proven to the satisfaction of local management team. In the meantime, management will assess the possibility of further reallocation of the remaining proceeds from the partial disposal of JCE from development of self-funded projects in financial lease business to other business segments to maximise the return of the idle funds.

The money lending business (classified under the Investment segment) recorded revenue and gross profit of HK$4.5 million in 2018 (2017: nil), representing 5% and 19% of the Group's revenue and gross profit respectively (2017: nil). The revenue represents loan interest income from the provision of loan facilities carried out by a licensed subsidiary in Hong Kong. The segment diligently allocated internal resources and placed a 10% per annum 1-year HK$80 million loan with both listed shares as collateral and guaranteed by a corporate and its beneficial individual to a corporate borrower and its beneficial individual in Hong Kong during the year.

The decrease in the Group's gross profit amount was in line with the decrease in the Group's revenue, with higher margin % primarily thanks to the profit contribution from the money lending business.

Other income

The other income of the Group in 2018 mainly comprised of bank interest income, interest income from trust products and highly liquid wealth management investments issued by the non-bank financial institutions in the PRC, dividend income from financial assets at FVTPL. The decrease of HK$8.9 million or 43% was primarily due to the absence of the government grant (2017: HK$4.6 million), decrease in sundry income and general decline in the interest income in the Current Year.

Other gains and losses

The other gains and losses in 2018 mainly comprised of overall loss of approximately HK$41.5 million from both change in fair value of listed securities investments and an unlisted option granted by the Group in relation to the remaining 25% equity interest on an associate, impairment losses on loan receivables and finance lease receivables totaling approximately HK$31.5 million, and gain on disposal of subsidiaries of HK$10.2 million. The increase in loss was mainly due to (i) expansion of loss from change in fair values of listed securities investments in Hong Kong and the mainland Chinese stock markets where Hang Seng index and Shanghai Composite index were down by 14% and 25% in 2018 respectively and (ii) impairment losses on loan receivables and finance lease receivables as a result of certain non-performing loans and more forward-looking impairment assessment model under HKFRS 9 (as compared with the preceding HKAS 39) effectively adopted in 2018.

Administrative expenses and other operating expenses

The Group's administrative and other operating expenses for the year mainly included staff costs (including directors 'and chief executive's emoluments) of HK$68.0 million (2017: HK$45.0 million), legal and professional, depreciation of property, plant and equipment and various administrative expenses. The increase was primarily due to increase in staff cost in particular the management incentive expenses.

Impairment loss on goodwill

During the year under review, the Group recorded a non-cash impairment loss on goodwill of HK$63.0 million (2017: HK$31.0 million) which arose from the acquisition of the Finance lease business in January 2016. Given that both finance lease volume and number of new finance lease transactions slumped in the Current Year, the management, amongst others, made downward revisions on revenue and gross profit amount in the latest forecast model to reflect the lingeringly grim financial market condition and slowing economy in the PRC due to, amongst others, the glowing China-and-US trade war tension in the Current Year. According to the value-in use calculation ("VIU") based on the approved 5-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 2018, amounts to HK$63.0 million which is fully allocated to the goodwill as an impairment loss recognized in the profit or loss in the Current Year.

Share of a joint venture's and an associate's result

Upon completion of the partial disposal of equity interest on Rizhao Lanshan on 31 August 2018, the Group's equity interest in the investment has decreased from 50% to 25% and accordingly classified from a joint venture to an associate under the same equity accounting method thereafter. In other words, the Group shared 50% of the first 8 months of Rizhao Lanshan's result as share of result of a joint venture (i.e. HK$37.6 million), while 25% of the same for the remaining four months as share of result of an associate (i.e. HK$10.5 million) during the year. As the share of the joint venture's result of HK$43.5 million in 2017 accounted for twelve complete months, it led to a decrease by HK$5.9 million on item-by-item basis.

On aggregation of similarity basis, the aggregate share of profit of Rizhao Lanshan in 2018, though diluted its shareholding and then its shared profit, still amounted to HK$48.1 million, representing an increase of HK$4.6 million or 10.6% as compared with HK$43.5 million in 2017. It was mainly due to continuous growth in net profit of Rizhao Lanshan itself as a result of (i) an improvement in gross profit margin through a series of actions to optimize the berth and storage facilities and (ii) reduction in the finance cost as a result of decrease in the overall bank borrowing balance during the Current Year.

Loss on partial disposal of interest in a joint venture and the grant of the call option

On the completion of the disposal, the Group derived a loss on disposal of HK$218.8 million by deducting the consideration receivable of RMB294.0 million (or equivalent to HK$337.8 million) from (i) fair value of the Call Option granted by the Group of approximately HK$32.2 million recognised as financial liability at FVTPL, (ii) net amount of HK$524.3 million derived by deducting the entire carrying value of 50% equity interest in a joint venture derecognised from the fair value amount of the 25% equity interest in an associate at initial recognition at and (iii) the relevant taxes payable of HK$0.2 million.

Income taxation

Income tax credit for the year mainly comprised of deferred tax credit of HK$9.5 million (2017: HK0.4 million charge) arising from imputed interest on deposit from customers and undistributed profits of subsidiaries and an associate, net off with current tax payable of HK$23.0 million mainly derived from withholding tax on capital gain from the partial disposal of JCE (2017: HK$5.7 million primarily from EIT of the finance lease business). The Group saw a drop in current EIT payable in 2018 since there was no assessable profits incurred by our principal segment – Financial leasing business.

Discontinued operation

No profit or loss items was consolidated in 2018 since the cessation of consolidation of the result of the Polishing Segment in early 2017.

FINANCIAL POSITION

The total asset amount of the Group as at 31 December 2018 amounted to HK$1,878.9 million, representing a decrease of HK$705.7 million as compared with HK$2,584.6 million as at 31 December 2017. The decrease was mainly due to a decrease in segment asset of terminal & logistics services upon the completion of its partial disposal and a decrease in finance lease receivables of HK$231.2 million as a result of the shrinking lease volume of the new finance lease transactions on recourse basis in 2018 whereby the repayment amount of the existing finance lease projects in kind outweighed the additional amount of the new ones. Likewise, due to the business model of the Financial leasing business which mostly relied on the source of funds from the bank or non-bank financial institutions to finance the finance lease with the customers on a back-to-back basis, the decrease in the Group's borrowings was generally in line with the decrease in the finance lease receivables, amounting to HK$850.2 million as at 31 December 2018 as compared with HK$1,070.3 million. Accordingly, the Group's total liabilities decreased from HK$1,230.2 million as at 31 December 2017 to HK$951.2 million as at 31 December 2018. The gearing ratios (measured as total liabilities over total asset) slightly increased from 47.6% as at 31 December 2017 to 50.6% at 31 December 2018. Following receipt of the proceeds from the consideration for the partial disposal of equity interest in Rizhao Lanshan, the current ratios (measured as total current assets over total current liabilities) improved from 1.6 as at 31 December 2017 to 2.0 as at 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$364.9 million (of which HK19.9 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (2017: HK$61.7 million)) as compared to HK$261.8 million as at 31 December 2017. As at 31 December 2018, the Group had bank and other borrowings amounting to HK$428.6 million (2017: HK$472.8 million), HK$208.5 million (2017: HK$304.5 million) and HK$213.2 million (2017: HK$293.0 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 2018 and 2017, the continuing operations of the Group had no material foreign currency exposure as material transactions such as revenue and cost of services were denominated in local currencies in which the relevant entities operated.

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 & guarantors (if any), evaluation of the value & liquidity of the collaterals, and defines the terms of the loans. The Group regularly monitored recoverability to ensure prompt follow up action is taken to recover any overdue debt.

Included in the loan receivables as at 31 December 2018 represented a loan principal amount of HK$35 million to an individual which, along with its interests, were both overdue. Given that the overdue amounts were fully repaid up to the report date, the credit risk was not impaired and thus no impairment loss was recognised during the year.

CHARGE OF ASSETS

As at 31 December 2018, the restricted bank deposits of HK$19.9 million (2017: HK$61.7 million) and the finance lease receivables of HK$511.2 million (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 31 December 2018 and 2017.

CAPITAL COMMITMENTS

At 31 December 2018, the Group had capital commitments of HK$0.6 million (2017: HK$2.0 million) for the acquisition of property, plant and equipment.

PROSPECT

The economic operation of the developed countries had been divided in 2018. Other than the relative strong economic growth in the United States, the economic recovery of Eurozone, the United Kingdom, and Japan was static. Some vulnerable emerging market economies have come under strain as the US dollar gained value and the level of risk that global financial investors were prepared to accept dropped.

In China, GDP growth averaged 6.6% in the Current Year, which appeared robust but was, in fact the lowest level since 1990. The Shanghai Composite Index tumbled by 25% in 2018, representing the worst performance among the globe stock markets, while it has experienced a recent bounce in early 2019 as a result of various government stimulus measures announced in the recent National People's Congress and the possibility of reaching a fair trade deal between China and the US in March.

The prospect of 2019 might be clouded by the uncertainties of the lingering Sino-US trade tension, exchange rate of Renminbi, the nationwide deleveraging situation, even the slowdown of property market in China will possibly impede economic growth. On the other hand, government-led stimulus laid down in the Congress such as tax cut, other structural changes of the Chinese economy and increasing lending to the small-and-medium sized enterprises may be beneficial to the Group's businesses in the PRC.

Opportunities and challenges coexisted in the China's leasing industry in 2019. On one hand, the new supervisory authority – China Banking and Insurance Regulatory Commission has raised more stringent requirements on leasing companies that may inhibit us from carrying out the business in accordance with the existing business model and thus compromise the business volume. The increasing number of financial leasing companies in the PRC may cause vicious competition and weaken our ability to solicit new or retain customers. On the other hand, the completion of change of the supervisory authority has removed the possibility of ambiguity on the policies and thus less political uncertainty. The stringent oversight will possibly stablise the overall financial market that would be beneficial to the long-term industrial development. The favorable government policies such as tax concession or government subsidy to support the trend of consumption and technology upgrading will create more financing needs and thus business opportunities, while planning of setting up more than ten new free-trade-zones under the successful blueprint of Tinjian Dongjiang free-trade-zones will bolster the industrial development. The financial leasing on some unconventional industries such as car, real estate and social consumption has seen an upbeat note and may provide a room for the industry to grow.

As always, local management team will put more efforts on the development of financing varieties. 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 explore the new unconventional sectors.

The terminal and logistics services business has been faded out of the Group step by step. The disposal of the first 25% equity interest took place on 31 August 2018. The remaining 25% equity interest will be disposed of at the Purchaser's discretion of exercising the Call Option undertaking in the first half of 2020.

The Hong Kong and China's stock markets experienced a downward adjustment in 2018 while they have seen a strong resilience in early 2019. The general market perspective however tends to be cautious about the future performance in amid of a cooling China's economy and the fallout from over the US-China trade conflict and the pace of the interest rate hike. The Group will continue to adopt a conservative investment strategy towards the investment portfolio.

The Food additives business experienced certain technical hiccups during the trial run of the first production line of Sorbitol, a nutritive sweetener commonly used in sugar-free chewing gum and diet foods, and thus delayed the normal production to the first half of 2019. Its expected capacity could reach 4,000 ton per annum and aims to sell to the food manufacturers and traders in the PRC. At the same time, the segment has carried out research and development of Advantame, extremely high intensive sweeteners, and EPS, the diagnostic reagent, both of which have attained at the later stage of development. The machineries and equipment of the back end processing of nutrition supplements have been in place and the applications of the necessary production and export licenses are in the process. Management will closely monitor the segment performance and will diligently allocate more resources to expand the product varieties and production capability in due course. With the enhanced research & development capabilities through the completion of acquisition of Quantum Power on 1 March 2019, the segment is expected as an impetus to our future revenue and profit growth of the Group.

Echoed by the Chinese Premier Li's address on the opening day of the Congress this year, the Group must be prepared for a tough struggle with a graver and more complicated environment as well as enormous risks and challenges ahead by further strengthening the risk managements coupled with leveraging the existing resources and capabilities to cautiously 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 2018, the Group held loan receivables of HK$167.4 million (2017: HK$125.0 million), equity investments at FVTOCI of HK$35.2 million (2017: available-for-sale investments of HK$77.1 million) and financial assets at FVTPL of approximately HK$58.4 million (2017: held for trading investments of HK$40.6 million).

During the year, the Group made a HK$80 million 1-year 10% per annum loan to the joint borrowers in Hong Kong, further invested in loan receivables through half-to-two years trust products of RMB40.0 million or HK$45.5 million both issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$9.8 million (2017: HK$9.7 million) and an impairment loss on loan receivables of HK$29.8 million (2017: nil). Included in the equity investment at FVTOCI represents unlisted equity securities issued by private entities established in the PRC with a carrying amount of RMB30.6 million or HK$35.2 million with the revaluation surplus of HK$0.9 million recorded in the other comprehensive income during the year. Included in financial assets at FVTPL of HK$58.4 million mainly represented the listed equity shares, listed and unlisted equity fund products in the Hong Kong and the Chinese stock exchange and the resulting fair value loss of HK$46.3 million in the current year (2017: HK$26.6 million) was mainly due to the general decline in the stock markets in the both territories.

Since the completion of the partial disposal of the equity interest of Rizhao Lanshan took place on 31 August 2018, the remaining 25% equity interest has been accounted for as interest in an associate under equity method thereafter. Further details of the disposal are set out in the Company's announcement dated 15 May 2018 and the circular dated 25 June 2018.

EMPLOYEE AND REMUNERATION

As at 31 December 2018, the Group had approximately 83 (2017: 39) employees (excluding employees of the Company's joint venture and associate) in Hong Kong and the PRC. The increase was primarily due to the expansion of the food additives business. 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 2017, a total outstanding number of share options were granted to the eligible employees, including directors of the Company, amounted to 102,000,000. With 42,333,334 share options lapsed during the year, the outstanding number of share options as at 31 December 2018 amounted to 59,666,666. 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.

EVENTS AFTER THE REPORTING PERIOD

On 8 January 2019 the Group entered into the share purchase agreement with a connected vendor and its associates, pursuant to which the Group has conditionally agreed to purchase the sale share, which represent the entire issued share capital of the target company as at the date of completion, in the consideration of HK$90,000,000 from the Vendor. The vendor's guarantor has agreed to guarantee the due and punctual performance of the vendor with its obligations under the share purchase agreement. On 1 March 2019, the completion of the sale share took place, target company has become an indirect wholly-owned subsidiary of the Company. The target company and its subsidiaries (the "Target Group") were carried out in the research and studies and design of industrial biotechnology products, the wholesale of food additives and the provision of technology consultation services but have been inactive in the recent years. The Target Group owns the approximately 6,300 square meters property in Shanghai PRC and facilities and equipment used for research and studies of biotechnology.

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 2019 to 5 June 2019 (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 2019.

CORPORATE GOVERNANCE PRACTICE

The Company had complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange throughout the year ended 31 December 2018, except the following deviations:–

Code Provision A.2.7

During 2018, 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 5 June 2018 due to his other important commitment. However, Mr. Lai Ka Fai, executive director chaired the 2018 AGM and answered questions from the shareholders of the Company.

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. Having made specific enquiries, all directors confirmed that they have complied with the required standards set out in the Model Code.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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 reviewed the risk management and internal control reports, and the Group's consolidated financial statements for the year ended 31 December 2018.

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

Hong Kong, 26 March 2019

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) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as independent non-executive directors.