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## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “Board” or “Directors”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

|                                     |              | <b>Six months ended 30 June</b> |                 |
|-------------------------------------|--------------|---------------------------------|-----------------|
|                                     |              | <b>2019</b>                     | 2018            |
|                                     |              | <b>(Unaudited)</b>              | (Unaudited)     |
|                                     | <i>Notes</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Revenue                             | 4            | <b>32,997</b>                   | 54,920          |
| Cost of services                    |              | <u><b>(21,756)</b></u>          | <u>(40,943)</u> |
| Gross profit                        |              | <b>11,241</b>                   | 13,977          |
| Other income                        | 6            | <b>4,060</b>                    | 6,166           |
| Other gains and losses              | 7            | <b>(19,490)</b>                 | (16,984)        |
| Administrative expenses             |              | <b>(26,912)</b>                 | (26,119)        |
| Other operating expenses            |              | <b>(151)</b>                    | (411)           |
| Share of result of an associate     |              | <b>13,207</b>                   | –               |
| Share of result of a joint venture  |              | <u>–</u>                        | <u>29,740</u>   |
| (Loss)/profit before taxation       |              | <b>(18,045)</b>                 | 6,369           |
| Income tax credit/(expense)         | 8            | <u><b>1,625</b></u>             | <u>(1,688)</u>  |
| <b>(Loss)/profit for the period</b> | 9            | <u><b>(16,420)</b></u>          | <u>4,681</u>    |

|  |              | <b>Six months ended 30 June</b> |                        |
|--|--------------|---------------------------------|------------------------|
|  |              | <b>2019</b>                     | 2018                   |
|  |              | <b>(Unaudited)</b>              | (Unaudited)            |
|  | <i>Notes</i> | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b> |
| <b>Attributable to:</b>                    |              |                                 |                        |
| – Owners of the Company                    |              | <b>(9,316)</b>                  | 2,197                  |
| – Non-controlling interests                |              | <b>(7,104)</b>                  | 2,484                  |
|  |              | <u><b>(16,420)</b></u>          | <u>4,681</u>           |
| <br>                                       |              |                                 |                        |
| <b>(Loss)/earnings per share (HK cent)</b> | <b>11</b>    |                                 |                        |
| – Basic                                    |              | <b>(0.08)</b>                   | 0.02                   |
| – Diluted                                  |              | <b>(0.08)</b>                   | 0.02                   |
|  |              | <u><b>(0.08)</b></u>            | <u>0.02</u>            |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2019*

|  | <b>Six months ended 30 June</b> |                 |
|--|---------------------------------|-----------------|
|  | <b>2019</b>                     | 2018            |
|  | <b>(Unaudited)</b>              | (Unaudited)     |
|  | <b>HK\$'000</b>                 | HK\$'000        |
| (Loss)/profit for the period                 | <u><b>(16,420)</b></u>          | <u>4,681</u>    |
| Other comprehensive expense                  |                                 |                 |
| Items that will not be reclassified          |                                 |                 |
| to profit or loss:                           |                                 |                 |
| Exchange difference arising on translation   |                                 |                 |
| to presentation currency                     | <b>(3,293)</b>                  | (14,631)        |
| Net fair value loss on equity investments    |                                 |                 |
| at fair value through other comprehensive    |                                 |                 |
| income                                       | <u>–</u>                        | <u>(6,561)</u>  |
| Other comprehensive expense for the period,  |                                 |                 |
| net of income tax                            | <u><b>(3,293)</b></u>           | <u>(21,192)</u> |
| Total comprehensive expense for the period   | <u><b>(19,713)</b></u>          | <u>(16,511)</u> |
| Total comprehensive expense attributable to: |                                 |                 |
| – Owners of the Company                      | <b>(12,539)</b>                 | (13,408)        |
| – Non-controlling interests                  | <u><b>(7,174)</b></u>           | <u>(3,103)</u>  |
|  | <u><b>(19,713)</b></u>          | <u>(16,511)</u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

|  |              | 30 June<br>2019<br>(Unaudited)<br><i>HK\$'000</i> | 31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
|--|--------------|---|---|
|  | <i>Notes</i> |   |   |
| <b>Non-current assets</b>  |              |   |   |
| Property, plant and equipment  | 12           | 53,201  | 30,338  |
| Goodwill   |              | 9,373   | 9,373   |
| Interest in an associate   |              | 328,547   | 315,705   |
| Investment property  |              | 133,912   | –   |
| Deferred tax assets  |              | 1,266   | –   |
| Equity investments at fair value through<br>other comprehensive income     |              | 34,858  | 35,174  |
| Finance lease receivables  | 13           | 253,205   | 422,157   |
| Loan receivables   |              | 12,518  | 17,076  |
| Restricted bank deposits   |              | 19,858  | 19,865  |
| Right-of-use assets  |              | 775   | –   |
| Service income receivables and deposits                                    | 14           | 11,380  | 11,384  |
|  |              | <u>858,893</u>                                    | <u>861,072</u>                                      |
| <b>Current assets</b>  |              |   |   |
| Inventory  |              | 3,069   | 88  |
| Finance lease receivables  | 13           | 451,407   | 427,304   |
| Loan receivables   |              | 187,996   | 150,365   |
| Contract assets  |              | –   | 3,320   |
| Service income receivables, other receivables,<br>deposits and prepayments | 14           | 16,812  | 33,278  |
| Financial assets at fair value through profit or loss                      |              | 36,296  | 58,434  |
| Deposits placed with non-bank<br>financial institutions                    |              | 34,961  | 82,891  |
| Cash and cash equivalents  |              | 137,388   | 262,123   |
|  |              | <u>867,929</u>                                    | <u>1,017,803</u>                                    |

|   |              | <b>30 June</b>     | 31 December     |
|---|--------------|--------------------|-----------------|
|   |              | <b>2019</b>        | 2018            |
|   |              | <b>(Unaudited)</b> | (Audited)       |
|   | <i>Notes</i> | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| <b>Current liabilities</b>                                  |              |                    |                 |
| Service cost payables, other payables and accruals          | <i>15</i>    | <b>18,493</b>      | 27,232          |
| Contract liabilities  |              | <b>5,216</b>       | –               |
| Deposits received from customers                            |              | <b>522</b>         | 512             |
| Financial liability at fair value through<br>profit or loss |              | <b>21,622</b>      | 27,322          |
| Lease liabilities   |              | <b>642</b>         | –               |
| Tax payable   |              | <b>13,974</b>      | 13,181          |
| Borrowings  |              | <b>456,870</b>     | 428,570         |
|   |              | <b>517,339</b>     | 496,817         |
| Net current assets  |              | <b>350,590</b>     | 520,986         |
| Total assets less current liabilities                       |              | <b>1,209,483</b>   | 1,382,058       |
| <b>Capital and reserves</b>                                 |              |                    |                 |
| Share capital   | <i>16</i>    | <b>119,192</b>     | 119,192         |
| Reserves  |              | <b>656,206</b>     | 668,745         |
| Equity attributable to owners of the Company                |              | <b>775,398</b>     | 787,937         |
| Non-controlling interests                                   |              | <b>132,590</b>     | 139,764         |
| <b>Total equity</b>   |              | <b>907,988</b>     | 927,701         |
| <b>Non-current liabilities</b>                              |              |                    |                 |
| Deposits received from customers                            |              | <b>24,983</b>      | 24,682          |
| Borrowings  |              | <b>269,877</b>     | 421,644         |
| Lease liabilities   |              | <b>264</b>         | –               |
| Deferred tax liabilities                                    |              | <b>6,371</b>       | 8,031           |
|   |              | <b>301,495</b>     | 454,357         |
|   |              | <b>1,209,483</b>   | 1,382,058       |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 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 2018. 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 2018 except those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group’s financial statements in which HKFRS 16 Leases (“HKFRS 16”) has been adopted. Details of any changes in accounting policies are set out in note 2. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2018 consolidated financial statements.

## 2. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

### *(i) Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset all the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

*HK\$'000*

**Statement of financial position as at 1 January 2019**

|                                 |                   |
|---------------------------------|-------------------|
| Right-of-use assets             | 267               |
|                                 | <u><u>267</u></u> |
| <br>Lease liabilities (current) | <br>267           |
|                                 | <u><u>267</u></u> |

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

*Reconciliation of operating lease commitment to lease liabilities*

*HK\$'000*

|  |                   |
|--|-------------------|
| Operating lease commitment as of 31 December 2018                                | 431               |
| <i>Less:</i> short term leases for which lease terms end within 31 December 2019 | (137)             |
| <i>Less:</i> leases of low-value assets  | (24)              |
| <i>Less:</i> future interest expenses  | (3)               |
|  | <u>          </u> |
| <br>Total lease liabilities as of 1 January 2019                                 | <br>267           |
|  | <u><u>267</u></u> |

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5.89%.



**(ii) *The new definition of a lease***

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

**(iii) *Accounting as a lessee***

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

### *Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

### *Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

**(iv) Accounting as a lessor**

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

**(v) Transition**

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements related to the application of HKFRS 16 as described in note 2.

### 4. REVENUE

Revenue represents finance lease interest income generated from financial leasing, service fee income, loan interest income from provision of loan facilities, rental income and sales of goods receivable from outsiders during the period.

|                               | Six months ended 30 June |               |
|-------------------------------|--------------------------|---------------|
|                               | 2019                     | 2018          |
|                               | (Unaudited)              | (Unaudited)   |
|                               | HK\$'000                 | HK\$'000      |
| Finance lease interest income | 18,891                   | 29,530        |
| Service fee income            | 8,791                    | 25,390        |
| Loan interest income          | 4,533                    | –             |
| Rental income                 | 775                      | –             |
| Sale of goods                 | 7                        | –             |
|                               | <u>32,997</u>            | <u>54,920</u> |

At 30 June 2019, the Group has contract liabilities of HK\$5,216,000 (31 December 2018: Nil). The contract liabilities mainly relate to the advance consideration received from customers arising from asset management advisory services to be rendered by the Group.

## 5. 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 (“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                      | – | investment property in the PRC and Hong Kong, investments in securities 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:* Since the completion of the partial disposal of 25% equity interest on the terminal and logistics services on 31 August 2018, its remaining 25% equity interest has been accounted for as share of result of an associate which was separately shown in the unallocated profit or loss items in the current period.

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

|  | Revenue                  |               | Segment results |               |
|--|--------------------------|---------------|-----------------|---------------|
|  | Six months ended 30 June |               |                 |               |
|  | 2019                     | 2018          | 2019            | 2018          |
|  | (Unaudited)              | (Unaudited)   | (Unaudited)     | (Unaudited)   |
|  | HK\$'000                 | HK\$'000      | HK\$'000        | HK\$'000      |
| <b>Segments</b>                            |                          |               |                 |               |
| Financial leasing                          | 27,682                   | 54,920        | (16,239)        | 6,800         |
| Terminal and logistics services            | -                        | -             | -               | 29,687        |
| Investment                                 | 5,308                    | -             | (880)           | (12,317)      |
| Others                                     | 7                        | -             | (3,854)         | (1,390)       |
|  | <u>32,997</u>            | <u>54,920</u> | <u>(20,973)</u> | <u>22,780</u> |
| Unallocated corporate expenses             |                          |               | (16,689)        | (16,427)      |
| Unallocated other income, gains and losses |                          |               | 6,413           | 16            |
| Share of an associate's result             |                          |               | 13,206          | -             |
| Other expenses                             |                          |               | (2)             | -             |
| (Loss)/profit before taxation              |                          |               | <u>(18,045)</u> | <u>6,369</u>  |

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

The Group's financial leasing, food additives business and terminal and logistics services divisions are located in the PRC. Investment division comprises of investment property business carried out in the PRC and Hong Kong, while its money lending and investments in securities businesses are in Hong Kong. Except for a revenue amount of HK\$4,893,000 was generated in Hong Kong during the Current Period (30 June 2018: Nil), the remaining amount of HK\$28,104,000 was generated in the PRC (30 June 2018: HK\$54,920,000).

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

|                             | Assets  |   | Liabilities                                       |   |
|-----------------------------|---|---|---|---|
|                             | 30 June<br>2019<br>(Unaudited)<br><i>HK\$'000</i> | 31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> | 30 June<br>2019<br>(Unaudited)<br><i>HK\$'000</i> | 31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
| <b>Segments</b>             |   |   |   |   |
| Financial leasing           | 1,044,196   | 1,184,885   | 760,859   | 885,127   |
| Investment                  | 223,593   | 139,668   | 296   | 296   |
| Others                      | 38,805  | 8,556   | 1,293   | 396   |
|                             | <u>1,306,594</u>                                  | <u>1,333,109</u>                                    | <u>762,448</u>                                    | <u>885,819</u>                                      |
| Interest in an associate    | 328,547   | 315,706   | –   | –   |
| Unallocated corporate items | 91,681  | 230,060   | 56,386  | 65,355  |
|                             | <u>1,726,822</u>                                  | <u>1,878,875</u>                                    | <u>818,834</u>                                    | <u>951,174</u>                                      |

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, certain deposits placed in non-bank financial institutions and certain cash and cash equivalents; and
- all liabilities are allocated to reportable and operating segments other than certain other payables, tax payables, financial liability at fair value through profit or loss and deferred tax liabilities.

## 6. OTHER INCOME

|  | Six months ended 30 June               |  |
|--|--|--|
|  | 2019<br>(Unaudited)<br><i>HK\$'000</i> | 2018<br>(Unaudited)<br><i>HK\$'000</i> |
| Interest income from loan receivables  | 2,431                                  | 4,610                                  |
| Interest income from banks and non-bank financial institutions                           | 1,573                                  | 74                                     |
| Dividend income from equity investments at fair value through other comprehensive income | –                                      | 1,259                                  |
| Sundry income  | 56                                     | 223                                    |
|  | <u>4,060</u>                           | <u>6,166</u>                           |

## 7. OTHER GAINS AND LOSSES

|   | <b>Six months ended 30 June</b> |                        |
|---|---------------------------------|------------------------|
|   | <b>2019</b>                     | 2018                   |
|   | <b>(Unaudited)</b>              | (Unaudited)            |
|   | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b> |
| Change in fair value in financial assets at fair value through profit or loss (“FVTPL”) | (2,429)                         | (11,760)               |
| Change in fair value in financial liability at FVTPL                                    | 5,700                           | –                      |
| Impairment loss on a finance lease receivable   | (21,652)                        | –                      |
| Impairment loss on a loan receivable  | (1,235)                         | (4,000)                |
| Net foreign exchange gains  | 126                             | –                      |
| Others  | –                               | (1,224)                |
|   | <u>–</u>                        | <u>(1,224)</u>         |
|   | <b><u>(19,490)</u></b>          | <b><u>(16,984)</u></b> |

## 8. TAXATION

|                                | <b>Six months ended 30 June</b> |                        |
|--------------------------------|---------------------------------|------------------------|
|                                | <b>2019</b>                     | 2018                   |
|                                | <b>(Unaudited)</b>              | (Unaudited)            |
|                                | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b> |
| The (credit)/charge comprises: |                                 |                        |
| Current tax                    |                                 |                        |
| – Hong Kong Profits Tax        | –                               | –                      |
| – PRC income tax               | 1,353                           | 1,980                  |
| Deferred tax credit            | <u>(2,978)</u>                  | <u>(292)</u>           |
|                                | <b><u>(1,625)</u></b>           | <b><u>1,688</u></b>    |



## 9. (LOSS)/PROFIT FOR THE PERIOD

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

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2019                     | 2018          |
|   | (Unaudited)              | (Unaudited)   |
|   | HK\$'000                 | HK\$'000      |
| Directors' remuneration   | 5,381                    | 5,424         |
| Interest expenses (included in cost of services)                    | 18,995                   | 28,450        |
| Depreciation of property, plant and equipment                       | 1,528                    | 1,044         |
| Depreciation of right-of-use assets                                 | 272                      | –             |
| Minimum lease payment in respect of rental premises                 | 2,163                    | 2,298         |
| Staff costs (including directors' and chief executive's emoluments) | <u>15,677</u>            | <u>16,341</u> |

## 10. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

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

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2019                     | 2018         |
|  | (Unaudited)              | (Unaudited)  |
|  | HK\$'000                 | HK\$'000     |
| <b>(Loss)/earnings</b>   |                          |              |
| (Loss)/profit for the period attributable to owners of the Company |                          |              |
| for the purpose of basic and diluted (loss)/earnings per share     | <u>(9,316)</u>           | <u>2,197</u> |

|  | <b>Number of shares</b>  |                   |
|--|--------------------------|-------------------|
|  | <b>30 June 2019</b>      | 30 June 2018      |
|  | <b>(Unaudited)</b>       | (Unaudited)       |
|  | <b>'000</b>              | <b>'000</b>       |
| <b>Number of shares</b>  |                          |                   |
| Number of ordinary shares for the purpose of basic (loss)/earnings per share   | <b><u>11,919,198</u></b> | <u>11,919,198</u> |
| Number of ordinary shares for the purpose of diluted (loss)/earnings per share | <b><u>11,919,198</u></b> | <u>11,919,198</u> |

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2018 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.

## 12. PROPERTY, PLANT AND EQUIPMENT

### *(a) Acquisitions and transfer of property, plant and equipment*

During the six months ended 30 June 2019, the Group acquired leasehold land and building with a cost of HK\$85,633,000 (six months ended 30 June 2018: nil) through the acquisition of a wholly owned subsidiary, in which certain property with a net book value of HK\$63,976,000 was transferred to investment property upon the change in use from self-occupied to let-out property. During the same period, the Group acquired items of other fixed assets with a cost of HK\$3,439,000 (six months ended 30 June 2018: HK\$320,000).

### *(b) Acquisitions and transfer of investment properties*

During the six months ended 30 June 2019, the Group acquired an investment property with a cost of HK\$70,117,000 through the acquisition of a wholly owned subsidiary and transferred another one from property, plant and equipment with a net book value of HK\$63,976,000 to investment property upon the aforesaid change in use. Given the fact that there has been no material change in market value in the property markets from the acquisition/the date of change in use to the reporting end, the directors take a view that there is no material change in their fair values during the period.

### 13. FINANCE LEASE RECEIVABLES

|                                       | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|--|
| Finance lease receivables             | 727,372  | 850,954                                      |
| Less: provision for impairment losses | <u>(22,760)</u>                                      | <u>(1,493)</u>                               |
|                                       | <b><u>704,612</u></b>                                | <b><u>849,461</u></b>                        |
| Represented by:                       |  |  |
| Current finance lease receivables     | 451,407  | 427,304                                      |
| Non-current finance lease receivables | <u>253,205</u>                                       | <u>422,157</u>                               |
|                                       | <b><u>704,612</u></b>                                | <b><u>849,461</u></b>                        |

#### *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 2019, the average term of finance leases entered into is 4 years (31 December 2018: 4 years).

**Amounts receivable under finance leases**

|  | Minimum lease payments                  |   | Present value of minimum lease payments |   |
|--|---|---|---|---|
|  | 30 June 2019<br>(Unaudited)<br>HK\$'000 | 31 December 2018<br>(Audited)<br>HK\$'000 | 30 June 2019<br>(Unaudited)<br>HK\$'000 | 31 December 2018<br>(Audited)<br>HK\$'000 |
| Not later than one year                                      | 476,168                                 | 459,423                                   | 451,407                                 | 427,304                                   |
| Later than one year and not later than five years, inclusive | 288,047                                 | 467,352                                   | 253,205                                 | 422,157                                   |
|  | <b>764,215</b>                          | 926,775                                   | <b>704,612</b>                          | 849,461                                   |
| Less: unearned finance income                                | (59,603)                                | (77,314)                                  | –                                       | –   |
| Present value of minimum lease payments receivable           | <b>704,612</b>                          | 849,461                                   | <b>704,612</b>                          | 849,461                                   |

The Group's finance leases receivables are denominated in RMB. The effective interest rates of the finance leases as at 30 June 2019 range from 4.28% to 8.00% (31 December 2018: 4.28% to 8.00%) per annum.

As at 30 June 2019, finance lease receivables amounting to HK\$579,432,000 (31 December 2018: HK\$701,931,000) 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 30 June 2019, the finance lease receivables with carrying amounts of HK\$394,507,000 (31 December 2018: HK\$511,249,000) were pledged as security for the Group's borrowings.

Deposits of HK\$25,505,000 (31 December 2018: HK\$25,194,000) 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.

Except for the impairment of the finance lease receivables of HK\$22,760,000 (31 December 2018: HK\$1,493,000), the remaining carrying amounts of the finance lease receivables at the end of the reporting periods are neither past due nor impaired.

#### 14. 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\$171,000 (31 December 2018: Nil), 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:

|   | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Contract assets, aged at 0-30 days, Under current assets                              | <u>–</u>   | <u>3,320</u>                                 |
| Service income receivables, aged at 0-30 days, under current assets                   | <b>171</b>   | –  |
| Other receivables, deposits and prepayments   | <b>28,021</b>  | 44,662                                       |
| <i>Less:</i> Amounts not receivable within one year<br>shown under non-current assets | <u>(11,380)</u>                                      | <u>(11,384)</u>                              |
|   | <u><b>16,812</b></u>                                 | <u>33,278</u>                                |

## 15. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the service cost payables of HK\$1,059,000 (31 December 2018: HK\$7,563,000) which are included in the Group's service cost payables, other payables and accruals is as follows:

|                             | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|-----------------------------|--|--|
| Service cost payables:      |  |  |
| Within 30 days              | –  | 3,320  |
| Over 365 days               | <u>1,059</u>   | <u>4,243</u>                                 |
|                             | <b>1,059</b>   | <b>7,563</b>                                 |
| Other payables and accruals | <u>17,434</u>  | <u>19,669</u>                                |
|                             | <b><u>18,493</u></b>                                 | <b><u>27,232</u></b>                         |

## 16. SHARE CAPITAL

|   | <b>Number of<br/>ordinary shares<br/>of HK\$0.01 each<br/>'000</b> | <b>Nominal value<br/>HK\$'000</b> |
|---|--|-----------------------------------|
| Authorised:   |  |                                   |
| At 1 January 2018, 31 December 2018,<br>1 January 2019 and 30 June 2019 | <u>40,000,000</u>  | <u>400,000</u>                    |
| Issued and fully paid:  |  |                                   |
| At 1 January 2018, 31 December 2018,<br>1 January 2019 and 30 June 2019 | <b><u>11,919,198</u></b>   | <b><u>119,192</u></b>             |

## 17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (31 December 2018: Nil).

## 18. CAPITAL COMMITMENTS

|   | <b>30 June</b>         | 31 December       |
|---|------------------------|-------------------|
|   | <b>2019</b>            | 2018              |
|   | <b>(Unaudited)</b>     | (Audited)         |
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i>   |
| Capital expenditure in respect of the acquisition of property,<br>plant and equipment contracted for but not provided<br>in the condensed consolidated financial statements | <u><u>742</u></u>      | <u><u>643</u></u> |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six-months ended 30 June 2019 (the “Current Period”), the Group recorded the revenue of HK\$33.0 million as compared with HK\$54.9 million for the six-months ended 30 June 2018 (the “Corresponding Period”), gross profit of HK\$11.2 million as compared with HK\$14.0 million in the Corresponding Period and a net loss of HK\$16.4 million as compared with the net profit of HK\$4.7 million in the Corresponding Period.

For the period under review, the Financial leasing business recorded a segment loss of HK\$16.2 million (six months ended 30 June 2018: a segment profit of HK\$6.8 million) (the definition of segment profit or loss and detailed analysis set out in note 5 to the condensed consolidated financial statements). The adverse change was mainly attributable to (i) recognition of non-cash impairment loss of approximately HK\$22.9 million on a finance lease receivable and a loan receivable, (ii) decrease in gross profit driven by lower lease volume of new finance lease transactions, partially offset by (iii) reduction of operating expenses as a result of the headcount cut and tightening cost control in the Current period.

Upon the completion of the partial disposal in the second half of 2018, the Group has reduced the equity interest in the Terminal and logistics services business from 50% to 25%. It has no longer formed part of the segment, but classified as share of result of an associate amounting to profit of HK\$13.2 million under unallocated profit or loss reconciliation items of the segment result in the Current Period as compared with the segment profit of approximately HK\$29.7 million in the Corresponding Period. The decrease in profit sharing was mainly due to the reduction of the equity interest by half in the current period.

The investment segment recorded interest income of HK\$4.5 million from money lending business and rental income of HK\$0.8 million as revenue in Current Period. A significant decrease in loss from HK\$12.3 million in the Corresponding Period to HK\$0.9 million in the Current Period was due to (i) greater interest income and absence of provision for loan impairment from money lending business in the Current Period and (ii) lesser fair value loss from security trading business in the Current Period.



The Food additives business, classified under others in the segment information, carried out manufacturing and sale of established production line of solid Soritol, establishing another production line of back-end processing nutrition supplements and performing research & development of Advantame, highly extreme sweetener, and EPS, clinic diagnostic reagent. The segment only recorded segment revenue of approximately HK\$7,000 because the only established production line was dragged down by unexpected production defects which held back the normal production scale until extensively repaired in May 2019, while the segment loss of HK\$3.9 million (six months ended 30 June 2018: HK\$1.4 million) mainly comprised of start up costs of production lines, research & development cost for the prospective products and depreciation of head office & research & development equipment in Shanghai acquired in the Current Period.

After considering (i) the corporate expenses of HK\$16.7 million, slightly up by HK\$0.3 million, (ii) certain unallocated other income and gain of HK\$6.4 million primarily representing a fair value gain on an option granted by the Group in the second half of 2018, up by HK\$6.4 million, (iii) share of a result of an associate of HK\$13.2 million as compared with nil in the Corresponding Period due to the aforesaid change in classification of the Terminal and logistics services business, (iv) income tax credit of HK\$1.6 million, as compared with income tax expense of HK\$1.7 million in the corresponding period, the Group recorded net loss of HK\$16.4 million and net loss attributable to owners of the Company of HK\$9.3 million in the Current Period as compared with net profit of HK\$4.7 million and net profit attributable to the owners of the Company of HK\$2.2 million in the Corresponding Period.

### **Revenue and gross profit**

For the period under review, The financial leasing segment recorded revenue and gross profit of HK\$27.7 million and HK\$5.9 million (six months ended 30 June 2018: HK\$54.9 million and HK\$14.0 million), representing 84% and 53% (six months ended 30 June 2018: 100% and 100%) of the Group's revenue and gross profit respectively. The revenue of this segment 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, manufacturing, medical and urban infrastructure, transportation and public utility construction.

The segment saw a remarkable decline on revenue and gross profit because of significant decrease in total lease volume of new finance lease transactions with new customers as a result of the continued economic turmoil and stringent regulatory environment in the People's Republic of China (the "PRC"). On one hand, it affected the customers' sentiments on capital investments, and curbed their financing needs. It increased the operating difficulties of obtaining credits from the banks with terms matching the prospective customers' needs, and decreased in the possibility of success in soliciting a new finance lease project. The segment did not complete any self-funded projects in the Current Period until creditworthiness of the prospective customers along with provision of sufficient credit enhancement are proven worthy to do so.

The money lending business and property development (classified under the Investment segment) recorded revenue and gross profit of HK\$5.3 million in the Current Period (six months ended 30 June 2018: nil), representing 16% and 47% of the Group's revenue and gross profit respectively. The revenue represents loan interest income from the provision of loan facilities carried out by a licensed subsidiary in Hong Kong and rental income deriving from letting out office properties in Hong Kong and Shanghai PRC.

The decrease in the Group's gross profit amount was in line with that in the Group's revenue.

### **Other income**

Other income of the Group 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. The decrease of HK\$2.1 million or 34% in the Current Period was mainly due to absence of dividend income from financial assets at FVTPL and general decline in the interest income.

### **Other gains and losses**

In the Current Period, other gains and losses of the Group amounted to loss of HK\$19.5 million predominantly representing the provision for impairment loss on a finance lease receivable and a loan receivable of HK\$22.9 million, overall loss on fair value change of financial assets at fair value through profit or loss of HK\$2.4 million, partially offset by fair value gain on an unlisted option (classified as financial liability at fair value through profit or loss) granted by the Group in relation to the remaining 25% equity interest on an associate of HK\$5.7 million.

## **Administrative expenses and other operating expenses**

The Group's administrative expenses and other operating expenses in the Current Period amounted to HK\$27.1 million, slightly up by HK\$0.5 million, mainly including staff costs of HK\$15.7 million (including directors' and chief executive's emoluments) (six months ended 30 June 2018: HK\$16.3 million), office rental expenses, legal and professional fees and various other administrative expenses.

## **Share of result of an associate and share of result of a joint venture**

The share of result of an associate from the Terminal and logistics services business in the Current Period amounted to HK\$13.2 million as compared with that of a joint venture from the same business of HK\$29.7 million in the Corresponding Period. As mentioned above, the decrease in profit sharing was primarily due to the reduction in profit sharing percentage by half in the Current Period as a result of the completion of the partial disposal in the second half of 2018.

## **Income taxation**

Income tax credit for the Current Period mainly comprised of current PRC income tax payable of HK\$1.4 million, and partially offset by deferred tax credit of approximately HK\$3.0 million mainly from recognition of deductible temporary difference on the provision for impairment loss on a finance lease receivable.

## **(Loss)/profit for the period**

Net loss for the Current Period of the Group amounted to approximately HK\$16.4 million as compared with net profit of approximately HK\$4.7 million in the Corresponding Period was mainly owing to the aforesaid decrease in profit sharing percentage on the Terminal and logistics services business by half and recognition of a significant non-cash impairment loss on finance lease receivable(s) from the customer(s) of the financial leasing segment in financial difficulty.

The total asset amount of the Group as at 30 June 2019 stood at HK\$1,726.8 million, down by HK\$152.1 million as compared with HK\$1,878.9 million as at 31 December 2018. The decrease was mainly attributable to the decrease in finance lease receivables of approximately HK\$144.8 million as a result of the shrinking lease volume by the repayment amount of the existing finance lease projects on recourse basis, while no additional new finance lease projects in kind in the Current Period. Likewise, due to the business model of the Financial leasing business which mostly relies on the source of fund from the financial institutions to finance the finance lease with the customers on back-to-back basis, the decrease in the Group's borrowings of approximately HK\$123.5 million was generally in line with that in finance lease receivables. Accordingly, the Group's total liability of the Group therefore contracted by the similar extent of approximately HK\$132.3 million from HK\$951.2 million as at 31 December 2018 to HK\$818.8 million as at 30 June 2019. The gearing ratios (measured as total liabilities over total assets) slightly decreased from 50.6% as at 31 December 2018 to 47.4% as at 30 June 2019 and the current ratios (measured as total current assets over total current liabilities) decreased from 2.0 as at 31 December 2018 to 1.7 as at 30 June 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2019, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK\$192.2 million (of which HK\$19.9 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (31 December 2018: HK\$19.9 million)) as compared to HK\$364.9 million as at 31 December 2018. As at 30 June 2019, the Group had bank and other borrowings amounting to HK\$456.9 million (31 December 2018: HK\$428.6 million) and HK\$269.9 million (31 December 2018: HK\$421.6 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 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.

As at 30 June 2019, the provision for impairment loss on a finance lease receivable of HK\$22.8 million relates to a finance lease transaction with a principle amount of RMB200 million or equivalent to HK\$227.6 million, secured by machineries and equipment worth more than the principle amount and guaranteed by the customer's ultimate holding company which is regarded as one of the largest Chinese state-owned manufacturer of aluminium product and currently in financial difficulty. The transaction was fully financed by a back-to-back bank borrowing on recourse basis. During the period, given that part of the overdue interest repayment was yet repaid up to the report date, the Group assessed the recoverability of all the yet due future's repayments in time-life by estimating, amongst others, the possibility of defaults, timing of defaults, realisation of the secured assets and repayment amounts from the guarantor and the customer, and came up with the provision for impairment loss of HK\$22.8 million as at the reporting end.

The local management team has been closely following up with the overdue interest, monitoring the recoverability of the remaining yet due repayments, and take prompt actions to address the credit risk and protect the Group's asset.

Before investing in the loan receivables, the Group also assesses the creditworthiness of the loan borrowers and guarantors (if any), evaluation of the value & liquidity of the collaterals, defines the terms of the loans. The Group regularly monitored recoverability to ensure prompt follow-up action is taken to recover any overdue debt.

## **CHARGE OF ASSETS**

As at 30 June 2019, the restricted bank deposits of HK\$19.9 million (31 December 2018: HK\$19.9 million) and the finance lease receivables of HK\$394.5 million (31 December 2018: HK\$511.2 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 2019 and 31 December 2018.

## **CAPITAL COMMITMENTS**

The Group had capital commitments of HK\$0.7 million for the acquisition of property, plant and equipment as at 30 June 2019 (31 December 2018: HK\$0.6 million).

## **PROSPECT**

The global economy had a weak start in first half 2019 due to US-China trade tension and other headwinds. The latest tit-for-tat actions by the US and China could exacerbate the trade war, and have shaken the confidence of many global investors. Equity prices around the world have fallen sharply, and so do the bond yields in developed economies. The investors tend to shift to safer assets. In view of the increasing global economic uncertainties and downward pressure, easing the monetary policy tend to be the major countermeasure for the both developed and developing economies.

In China, GDP growth averaged 6.3% in the Current Period, which appeared steady but has continued to decline for the past few years. The latest escalation of trade war by the US imposing a new 10 percent tariff on all the other untaxed US\$300 billion Chinese imported goods is likely to impact the weakened Chinese manufacturing sector. In response, Renminbi currency has been/will possibly be depreciated to alley the impact on the declining export activities. Meanwhile, China is accelerating a structural reform of the economy by boosting the domestic consumption, construction of major national projects and strengthening the economic cooperation with other developing countries. In addition, enhancing regulations in financial markets and nationwide deleveraging are still underway to monitor the financial risks. Although the Chinese economy has shown some resilience, it is expected the Chinese government will introduce more supportive policies to address downward pressure on the economy in the short term.

As to the financial leasing segment, the local management team will continue to emphasize the development of financing varieties, expansion of the new markets such as SME corporates and unconventional sectors, enhancement of business models to cater for the ever-changing customers' needs in order to boost the business volume. In the meantime, the segment will adhere to the effective and proven risk management and control policies to oversee the existing and new finance lease projects. In addition, it will optimise the operation to minimise the operating expenses.

As to the investment segment, the group will continue to adopt a conservative investment strategy towards the investment portfolio comprising of equity, debt and property. With the rigorous risk management and control policies, we regularly assess its performance and optimise its composition in order to generate a stable income in amid of the volatile financial markets.

As to the Food Additives business, the productivity of the only established production line of Sorbitol, a nutritive sweetener commonly used in sugar-free chewing gum and diet food, was greatly limited by the persistent technical problems. They were predominately repaired after a test run in May 2019, though intermittent occurrence of production hiccups still existed. The stability of the productivity has been enhancing through the automation of the production line and stockpile of sufficient machinery parts for immediate replacement. On the other hand, the segment recouped a new sales team to strengthen the marketing and sales activities. To expand the revenue base, the segment has been building up an additional production line, namely Advantame compounding and back-end possessing of nutrition supplements. Meanwhile, it has been carrying out research and development of new potential products such as Advantame and EPS, which will be put into trial production in due course. Management will closely monitor the segment performance and will diligently allocate more resources to expand the product varieties and production capability in due course.

Against the backdrop of adversity in global economy and a cooling China's economy, the Group must be prepared for a tougher challenge and enormous risks by further strengthening the risk managements, and leveraging the existing resources and capabilities to cautiously and diligently look for new potential growth opportunities in order to diversify the source of income and attain growth in the long term.

## **SIGNIFICANT INVESTMENTS/MATERIAL DISPOSALS**

At 30 June 2019, the Group held loan receivables of HK\$200.5 million (31 December 2018: HK\$167.4 million), equity investments at fair value through other comprehensive income of HK\$34.9 million (31 December 2018: HK\$35.2 million) and financial assets at fair value through profit or loss of approximately HK\$36.3 million (31 December 2018: HK\$58.4 million). During the period, the Group invested in loan receivables through 4-month to 2 years trust products of HK\$103.4 million issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK\$7.0 million (30 June 2018: HK\$4.6 million) and an impairment loss on a loan receivable of HK\$1.2 million (30 June 2018: HK\$4.0 million). The equity investments at fair value through other comprehensive income as at 30 June 2019 comprised of (i) an unlisted equity securities issued by private entities established in the PRC with carrying value of HK\$34.9 million with no change in revaluation surplus in the Current Period. The financial assets at fair value through profit or loss as at 30 June 2019 mainly comprised of the listed equity shares and unlisted equity fund products in the Hong Kong and the Chinese stock exchanges, and an overall fair value loss of HK\$2.4 million was recognized in profit or loss in the Current period.

On 10 April 2019, the Group entered into an agreement with a vendor, pursuant to which the Group has agreed to purchase the entire equity share of Jumbo Hall International Limited (“Jumbo Hall”) and the full loan owing by Jumbo Hall to the vendor at a consideration of HK\$70 million. Jumbo Hall mainly owned an office property with a saleable area of approximately 3,248 sq. ft., which has been wholly leased out at an annual rental of approximately HK\$2.2 million shortly after the acquisition was completed on 12 April 2019.



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 Quantum Power Limited (the “Quantum Power”) 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, Quantum Power has become an indirect wholly-owned subsidiary of the Company. Quantum Power and its subsidiaries (the “Quantum Power 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. Quantum Power Group owns the approximately 6,300 square meters property in Shanghai PRC (approximately three quarters of which has been leased out for generating stable rental income for the time-being) and facilities and equipment used for research and studies of biotechnology.

## **EMPLOYEE AND REMUNERATION**

As at 30 June 2019, the Group had 107 (31 December 2018: 83) employees (excluding employees of the Company’s joint venture and associate) 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. The increase in staff number was mainly due to the business expansion in the Food Additive business.

A new share option scheme was adopted on 29 July 2016. As at 31 December 2018, a total outstanding number of share options were granted to the eligible employees, including directors of the Company, amounted to 59,666,666. With 10,333,334 share options lapsed and nil share option exercised and further granted during the Current Period, the outstanding number of share options as at 30 June 2019 amounted to 49,333,332.

## **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 PRACTICE**

During the six months ended 30 June 2019, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations as below:–

### **Code Provision 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 2019 due to his other important commitment.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

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

## **AUDIT COMMITTEE REVIEW**

The Company has an audit committee which was established in accordance with the requirements of the CG code, for the purposes of reviewing and providing supervision over the financial reporting process, risk management and internal controls of the Group. The audit committee comprises 3 independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed and approved by the audit committee.

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

Hong Kong, 27 August 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.*