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)

2019 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 2019 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	**2019** **HK$'000**	2018 *HK$'000*
Revenue	*3*	**71,155**	90,523
Cost of sales		**(49,354)**	(66,815)
Gross profit		**21,801**	23,708
Other income	*5*	**10,500**	11,850
Other gains and losses	*5*	**(40,050)**	(67,674)
Administrative expenses		**(64,255)**	(91,124)
Impairment loss on goodwill		**(9,373)**	(63,000)
Loss on disposal of partial interest in a joint venture and the grant of the call option		**–**	(218,793)
Share of result of an associate		**29,389**	10,499
Share of result of a joint venture		**–**	37,554
Other expenses		**(773)**	(2,646)
Loss before taxation		**(52,761)**	(359,626)
Income tax credit/(expense)	*6*	**1,798**	(13,468)
Loss for the year	*7*	**(50,963)**	(373,094)

	NOTES	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(34,132)**	(372,098)
Non-controlling interests		**(16,831)**	(996)
		(50,963)	(373,094)
Loss per share *(HK cent)*			
Basic	*8*	**(0.29)**	(3.12)
Diluted	*8*	**(0.29)**	(3.12)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(50,963)**	(373,094)
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**(15,719)**	(55,461)
Net fair value change on equity investments at fair value through other comprehensive income	**–**	852
Other comprehensive expense for the year, net of income tax	**(15,719)**	(54,609)
Total comprehensive expense for the year	**(66,682)**	(427,703)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(47,518)**	(419,522)
Non-controlling interests	**(19,164)**	(8,181)
	(66,682)	(427,703)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**93,811**	30,338
Investment properties		**133,521**	–
Goodwill		**–**	9,373
Interest in an associate		**338,206**	315,705
Equity investments at fair value through other comprehensive income		**55,517**	35,174
Finance lease receivables	*10*	**69,913**	422,157
Loan receivables	*11*	**26,151**	17,076
Deferred tax assets		**1,324**	–
Restricted bank deposits		**19,520**	19,865
Deposits	*12*	**11,186**	11,384
		749,149	861,072
Current assets			
Inventory		**2,137**	88
Finance lease receivables	*10*	**339,309**	427,304
Loan receivables	*11*	**214,212**	150,365
Contract assets	*12*	**–**	3,320
Other receivables, deposits and prepayments	*12*	**18,612**	33,278
Financial assets at fair value through profit or loss		**25,678**	58,434
Deposit placed with non-bank financial institutions		**90,545**	82,891
Cash and cash equivalents		**107,033**	262,123
		797,526	1,017,803

	NOTES	2019 HK$'000	2018 HK$'000
Current liabilities			
Service cost payables, other payables and accruals	*13*	**28,651**	27,232
Contract liabilities		**2,563**	–
Deposits received from customers	*10*	**–**	512
Financial liability at fair value through profit or loss		**15,660**	27,322
Tax payable		**14,251**	13,181
Borrowings		**523,654**	428,570
		584,779	496,817
Net current assets		**212,747**	520,986
Total assets less current liabilities		**961,896**	1,382,058
Capital and reserves			
Share capital	*14*	**119,192**	119,192
Reserves		**621,227**	668,745
Equity attributable to owners of the Company		**740,419**	787,937
Non-controlling interests		**120,600**	139,764
Total equity		**861,019**	927,701
Non-current liabilities			
Deposits received from customers	*10*	**24,872**	24,682
Borrowings		**69,633**	421,644
Deferred tax liabilities		**6,372**	8,031
		100,877	454,357
		961,896	1,382,058

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 on 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 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 at 1 January 2019

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 HKAS 28	Long term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	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 a right-of-use assets and a 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 all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance at the date of initial application. 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 increase/(decrease):

	HK$'000
Statement of financial position as at 1 January 2019	
Right-of-use assets present in property, plant and equipment	267
Lease liabilities (current)	267

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
Less: short term leases for which lease terms end within 31 December 2019	(137)
Less: leases of low-value assets	(24)
Less: future interest expenses	(3)
Total lease liabilities as of 1 January 2019	267

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.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as single lease component for all lease.

(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 leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at its cost less any accumulated depreciation and any accumulated impairment losses. 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 properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The accounting policies applicable to the Group as a lessor in direct finance leasing business remain substantially unchanged from those under HKAS 17.

Sale and leaseback transactions

As a buyer-lessor, the Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transactions constitutes a sale, upon application of HKFRS 16. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds within the scope of HKFRS 9.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustment to fair value is considered as additional lease payments from lessees.

(v) Transition

As a lessee

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance at the date of initial application (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 at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated adjustment of financial position immediately before 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 of 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; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

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.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sale and leaseback transactions

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed but the new requirements are applied to the Group's sale and leaseback transactions entered into on and after 1 January 2019.

Refundable rental deposits

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to refundable rental deposits received at the initial date of application.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. REVENUE

Revenue represents finance lease interest income generated from financial leasing and sale-leaseback transaction, service fee income provided to outsiders, loan interest income from provision of loan facilities, rental income from leasing out properties and sale of food additives.

	2019	2018
	HK$'000	*HK$'000*
Service fee income	**11,063**	31,384
Finance lease interest income	**29,136**	54,609
Sale-leaseback transaction interest income	**13,184**	–
Loan interest income	**13,496**	4,530
Rental income	**2,253**	–
Sale of food additives	**2,023**	–
	71,155	90,523

The disaggregation of the Group's revenue from contracts with customers, including service fee income, asset management advisory service fee income and sale of food additives, are as follows:

	2019	2018
	HK$'000	*HK$'000*
At point in time		
Advisory service fee income	**–**	25,800
Sale of food additives	**2,023**	–
	2,023	25,800
Over time		
Asset management advisory service	**11,063**	5,584
Total revenue recognised from contracts with customers	**13,086**	31,384

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	–	investment property in the PRC and Hong Kong, investment in securities and money lending business in Hong Kong
Others	–	research and development, manufacturing and sale 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 disposal), 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 segments:

For the year ended 31 December 2019

	Financial leasing *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
External sales	**56,393**	**12,739**	**2,023**	**71,155**
Segment (loss)/profit	**(45,795)**	**682**	**(12,606)**	**(57,719)**
Other income, gains and losses				**12,000**
Corporate expenses				**(35,849)**
Other expenses				**(582)**
Share of result of an associate				**29,389**
Loss before taxation				**(52,761)**

For the year ended 31 December 2018

	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)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent 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 segments:

At 31 December 2019

	Financial leasing *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**880,789**	**138,426**	**68,626**	**1,087,841**
Interest in an associate				**338,206**
Unallocated corporate assets				**120,628**
Consolidated assets				**1,546,675**
Segment liabilities	**631,492**	**534**	**720**	**632,746**
Unallocated corporate liabilities				**52,910**
Consolidated liabilities				**685,656**

At 31 December 2018

	Financial leasing *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'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

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 cash and cash equivalents; 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 2019

	Financial leasing *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Amounts charged (credited) in the measure of segment (profit) or loss or segment assets:				
Additions of property, plant and equipment	**13,093**	**63,976**	**58,094**	**135,163**
Depreciation of property, plant and equipment	**103**	**–**	**3,827**	**3,930**
Change in fair value of equity investments at fair value through profit or loss	**(2,558)**	**7,766**	**–**	**5,208**
Interest income from loan receivables	**(10,049)**	**(10,486)**	**–**	**(20,535)**
Finance lease interest income	**(29,136)**	**–**	**–**	**(29,136)**
Sale-leaseback transaction interest income	**(13,184)**	**–**	**–**	**(13,184)**
Interest expenses (included in cost of sales)	**40,289**	**–**	**–**	**40,289**
Impairment loss on goodwill	**9,373**	**–**	**–**	**9,373**
Impairment loss on finance lease receivables	**32,578**	**–**	**–**	**32,578**
Impairment loss on a loan receivable from sale-leaseback transaction	**5,678**	**–**	**–**	**5,678**
Impairment loss on loan receivables	**1,211**	**–**	**–**	**1,211**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (profit) or loss:				
Income tax credit	**(1,798)**	**–**	**–**	**(1,798)**

For the year ended 31 December 2018

	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 sales)	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)

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

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**17,675**	29,650
Customer B	**N/A**[1]	18,678
Customer C	**17,450**	9,304

[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 mainly located in the PRC and Hong Kong. Locations are determined according to principal place of operating the businesses. Except for a revenue amount of HK$11,926,000 was generated in Hong Kong during the current year (2018: HK$4,530,000), the remaining amount of HK$59,229,000 (2018: HK$85,993,000) was generated in the PRC.

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**455,570**	331,112
Hong Kong	**109,968**	24,304
	565,538	355,416

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

5. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income from loan receivables	**7,039**	5,179
Interest income from banks and non-bank financial institutions	**3,393**	5,243
Dividend income from financial assets at fair value through profit or loss	**–**	1,212
Sundry income	**68**	216
	10,500	11,850

	2019	2018
	HK$'000	*HK$'000*
Other gains and (losses)		
Change in fair value in financial assets at fair value through profit or loss	**(5,208)**	(46,368)
Change in fair value in financial liability at fair value through profit or loss	**11,662**	4,848
Change in fair value on investment properties	**645**	–
Impairment loss on loan receivables	**(1,211)**	(29,948)
Impairment loss on finance lease receivables	**(32,578)**	(1,553)
Impairment loss on a loan receivable from sale-leaseback transaction	**(5,678)**	–
Impairment loss on other receivables	**–**	(800)
Write off of inventory	**(833)**	–
Net foreign exchange losses	**(523)**	(1,047)
Gain on derecognition of subsidiaries	**–**	10,194
Others	**(6,326)**	(3,000)
	(40,050)	(67,674)

6. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,202**	–
PRC withholding tax	**–**	23,035
	1,202	23,035
Overprovision in prior year:		
Hong Kong Profits Tax	**–**	(22)
Deferred tax credit for current year	**(3,000)**	(9,545)
Taxation for the year	**(1,798)**	13,468

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 withholding tax on the estimated capital gain tax arising from the disposal of partial interest in a joint venture as well as the dividend received from a PRC subsidiary.

7. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,588**	1,500
Depreciation of property, plant and equipment	**2,491**	1,824
Depreciation of Right-of-use assets	**2,812**	–
	5,303	1,824
Interest expenses (included in cost of sales)	**40,289**	49,494
Cost of inventories sold (included in cost of sales)	**3,545**	–
Minimum lease payment in respect of rental premises previously classified as operating lease under HKAS 17	**–**	4,861
Interest on lease liabilities	**5**	–
Short-term lease expenses	**3,847**	–
Staff costs:		
Directors' and chief executive's emoluments	**14,202**	43,352
Other staff costs		
– Salaries and other benefits	**19,752**	23,018
– Retirement benefits scheme contributions	**1,510**	1,635
	35,464	68,005

8. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(34,132)**	(372,098)

	2019	2018
	'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 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.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor had any dividend been proposed since the end of the reporting period (2018: Nil).

10. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2019	2018
	HK$'000	*HK$'000*
Finance lease receivables	**442,780**	850,954
Less: Provision for impairment losses	**(33,558)**	(1,493)
	409,222	849,461

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 5 years (2018: 4 years).

	2019	2018
	HK$'000	*HK$'000*
Non-current finance lease receivables	**69,913**	422,157
Current finance lease receivables	**339,309**	427,304
	409,222	849,461

Amounts receivable under finance leases

	Minimum lease payments		**Present value of lease payments**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**387,474**	459,423	**339,309**	427,304
Later than one year and not later than two years	**58,208**	225,942	**55,930**	208,707
Later than two years and not later than five years	**14,146**	241,410	**13,983**	213,450
	459,828	926,775	**409,222**	849,461
Less: unearned finance income	**(50,606)**	(77,314)	**–**	–
Present value of minimum lease payments receivable	**409,222**	849,461	**409,222**	849,461

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2019 range from 4.28% to 5.50% (2018: 4.28% to 8.00%) per annum.

As at 31 December 2019, finance lease receivables amounting to HK$308,547,000 (2018: HK$701,931,000) were guaranteed by related parties of customers 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 2019, the finance lease receivables with carrying amounts of HK$283,379,000 (2018: HK$511,249,000) 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.

Movements in the provision for impairment loss are as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of year	**1,493**	–
Impairment loss recognised for the year	**32,578**	1,553
Exchange difference	**(513)**	(60)
Balance at end of year	**33,558**	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$24,872,000 (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. The deposits are non-interest bearing, carried effective interest rate at 4.75% (2018: 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

	Notes	**2019** **_HK$'000_**	2018 *HK$'000*
Carrying amount of loan receivables based on maturity set out in the loan agreements:			
Receivables from sale-leaseback transaction within one year	*(d)*	**151,011**	–
Less: Provision for impairment losses		**(5,593)**	–
		145,418	–
Other loan receivables			
Within one year			
– Loan A	*(a)*	**25,509**	25,509
– Loan B	*(b)*	**–**	35,000
– Loan C	*(c)*	**–**	80,000
– Trust products	*(e)*	**74,181**	39,634
		99,690	180,143
More than one year but less than two years			
– Trust products	*(e)*	**26,151**	17,076
		125,841	197,219
Less: Provision for impairment losses		**(30,896)**	(29,778)
		94,945	167,441
		240,363	167,441

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 were the then directors and substantial shareholders of a listed company in Hong Kong. As of 31 December 2018, the directors assessed the loan receivable was past due and credit-impaired based on the default history, and the carrying amount of HK$25,509,000 was fully impaired based on lifetime ECL as an impairment loss recognised to profit or loss in 2018. There was no repayment of principal in 2019.

(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 ended 31 December 2018, 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. The loan was fully settled in 2019.

(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. The loan was fully settled in 2019.

(d) During the year ended 31 December 2019, the Group entered into a sale-leaseback transaction agreement with an independent borrower. The sale-leaseback transaction of RMB135,000,000 (approximately HK$151,010,000) were guaranteed by its controlling shareholder and secured by the leased assets with interest bearing at a fixed interest rate of 9% per annum and repayable on 8 January 2020. The directors assessed that the sale-leaseback transaction has a significant increase in credit risk since initial recognition and impairment loss based on lifetime ECL of RMB5,000,000 (approximately HK$5,678,000) was recognised to profit or loss.

(e) As at 31 December 2019, 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") and 恒嘉（天津）融資租賃有限公司 (Ever Grand (Tianjin) Finance Lease PRC Co. Ltd., "TJ Ever Grand") invested in loan receivables with total gross amount of RMB89,694,000 (equivalent to approximately HK$100,332,000) (2018: RMB50,000,000, equivalent to approximately HK$56,920,000) through trust products issued by financial institutions in the PRC. Such loan receivables carried fixed interest rate ranging from 6.5% to 9.2% (2018: 7.0% to 8.5%) per annum with maturities in August 2018 to September 2021 (2018: August 2018 to May 2020).

During the year ended 31 December 2019, the Group received interest income of HK$7,039,000 (2018: HK$5,243,000) and recognised as other income.

Included was a trust loan at principal amount of RMB5,000,000 (approximately HK$5,593,000) has been overdue since August 2018. The directors assessed that the overdue loan has been past due and its credit risk has been significant increased. Accordingly, a lifetime impairment loss of HK$1,211,000 (2018: HK$4,458,000) has been further provided and recognised to profit or loss for the year.

12. CONTRACT ASSETS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of contract assets, 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:

	2019	2018
	HK$'000	*HK$'000*
Contract assets, aged at 0 – 30 days, under current assets	**–**	3,320
Other receivables, deposits and prepayments	**29,798**	44,662
Less: Amount not receivable within one year shown under non-current assets	**(11,186)**	(11,384)
	18,612	33,278

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$3,320,000 were reclassified to service income receivables arising from asset management advisory services, and were settled during the year. As at 31 December 2019, there is no contract assets (2018: HK$3,320,000).

At the end of the reporting period, the Group's contract assets was neither past due nor impaired. The Group did not hold any collateral over this balances.

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

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**10,068**	1,563
Deposits *(note i)*	**12,180**	32,465
Deposits for property, plant and equipment	**–**	288
Other receivables	**7,550**	10,346
	29,798	44,662

Note i

Deposits mainly represented an amount of HK$11,186,000 (2018: HK$11,384,000) 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 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.

As at 31 December 2018, 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 completion of the acquisition, the amount has been utilised to offset the consideration.

Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period.

13. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Service cost payables	**1,041**	7,563
Accruals	**20,669**	13,807
Value-added tax payables	**405**	336
Other payables	**6,168**	5,526
Receipt in advance	**368**	–
	28,651	27,232

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:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**–**	3,320
91–180 days	**–**	–
Over 365 days	**1,041**	4,243
	1,041	7,563

14. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	40,000,000	40,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	119,192	119,192

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$71.2 million in 2019 as compared with HK$90.5 million in 2018, gross profit of HK$21.8 million in 2019 against HK$23.7 million in 2018 and net loss of HK$51.0 million in 2019 as compared to net loss of HK$373.1 million in 2018.

For the year under review, the financial leasing business has contributed a segment loss of HK$45.8 million (including a non-cash impairment loss on goodwill of HK$9.4 million (2018: HK$63.0 million), as compared with a segment loss of HK$65.4 million in 2018 (definition of segment profit or loss and detailed analysis set out in note 4). The decrease in loss is mainly due to the net effect of decrease in impairment loss on goodwill by HK$53.6 million, being partially offset by a increase in operating loss by HK$34.0 million mainly as a result of increase in impairment loss on financial assets and decrease in gross profit amount driven by lower profitability of new finance lease transactions.

Upon completion of the partial disposal on 31 August 2018, the Group has reduced the equity interest in the terminal and logistics services in form of joint controlled enterprise ("JCE") from 50% to 25% and the profit sharing percentage accordingly. It has no longer formed part of the segment, but classified as share of result of an associate amounting to a profit of HK$29.4 million under unallocated profit or loss reconciliation items of the segment result in 2019 as compared with total profit of HK$48.1 million in 2018 (i.e. a segment profit of HK$37.6 million from terminal and logistics services for the first-eight-month of 2018 plus the corresponding profit from the share of result of an associate of HK$10.5 million for the remaining period). The decrease in shared profit was mainly due to the lower equity interest of 25% after completion of the disposal in a whole year of 2019 as compared with only four months of the previous year.

The food additives business, classified under others in the segment information, carried out manufacturing and sale of solid sorbitol with an established production line, performed research & development of Advantame, highly extreme sweeteners and EPS, clinic diagnostic reagent in 2019. During the year under review, the business obtained a production permit for two new products namely Advantame and various kinds of compound food additives (details refer to an announcement dated 27 November 2019). The production line of back-end processing for the latter product has been established and now it is subject to final tweak to the manufacturing process, while establishment of a new production line of Advantame and the second production line of solid sorbitol is underway.

Due to unexpected production defeats holding back the normal production scale for most of the first half 2019, the segment only recorded segment revenue of HK$2.0 million in 2019 (2018: nil). Due to the diseconomies of scale based on the existing productivity and increase in operation cost as a result of business expansion, the segment loss expanded to HK$12.6 million in 2019 (2018: HK$4.2 million).

The investment division recorded revenue of HK$12.7 million (2018: HK$4.5 million) comprising of loan interest income of HK$10.5 million from money lending business and rental income of HK$4.3 million from property investment In Hong Kong and PRC in 2019 (2018: HK$4.5 million and nil respectively).

The segment recorded a net profit of HK$0.7 million in 2019 as compared with a net loss of HK$59.1 million in 2018. The slightly improved turnaround result in 2019 was mainly due to reduction in fair value loss on financial asset at fair value through profit or loss by HK$29.8 million ("FVTPL"), absence of prior year's impairment loss of HK$25.5 million on loan receivable and increase in loan interest and rental income by HK$8.2 million.

After considering the corporate expenses (2019: HK$35.8 million; 2018: HK$72.8 million), share of result of an associate (2019: HK$29.4 million; 2018: HK$10.5 million), certain unallocated other income, gains and losses, other expenses, income taxation (2019: credit of HK$13.2 million; 2018: expense of HK$13.5 million), absence of prior year's loss on partial disposal of JCE of HK$218.8 million and prior year's gain on disposal of subsidiaries of HK$10.2 million, the Group recorded a net loss of HK$51.0 million (2018: net loss of HK$373.1 million) and a net loss attributable to the owners of the Company of HK$34.1 million in 2019 (2018: net loss of HK$372.1 million).

A significant decrease in net loss from HK$373.1 million in 2018 to HK$51.0 million in 2019 was primarily due to the above-said absence of prior year's loss on partial disposal of JCE of HK$218.8 million and decrease in impairment loss on goodwill of HK$53.6 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 losses from both years can be reconciled as below:

	2019	2018
	HK$'000	*HK$'000*
Net loss	**(50,963)**	(373,094)
Add: impairment loss on the goodwill	**9,373**	63,000
Less: gain on disposal of subsidiaries	**–**	(10,194)
Add: provision for impairment loss on the loan receivables and finance lease receivables	**39,467**	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	**(11,662)**	(4,848)
	(13,785)	(74,842)

Revenue and gross profit

During the year, the financial leasing segment recorded revenue and gross profit of HK$56.4 million and HK$10.6 million (2018: HK$86.0 million and HK$19.2 million), representing 79% and 49% of the Group's revenue and gross profit respectively (2018: 95% and 81% respectively). The revenue of this segment mainly represents (i) service fee income for financing arrangement and consultancy services and (ii) interest income generated from financial leasing and provision of loan facilities . The cost of sales 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 back-to-back 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 a stagnant lease volume of new finance lease transactions and a significant decrease in their profitability as a result of continued economic turmoil and stringent regulatory environment in the People's Republic of China (the "PRC"). The slowing China's economy impacted the customers' sentiments on long term capital investments and reduced their financing needs. The stringent regulatory oversight of the industry made the segment difficult to obtain credits from banks with terms matching the prospective customers' needs, and hence the business opportunity of finance lease projects fully backed by banks dwindled. The segment diligently completed few short-term self-funded projects on creditworthy customer to diversify the income source from new financial service to make up for the drop in income from the finance lease projects.

The money lending business and property development (both classified under the Investment segment) recorded revenue and gross profit of HK$12.7 million each in 2019 (2018: HK$4.5 million each), representing 18% and 58% of the Group's revenue and gross profit respectively (2018: 5% and 19% 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 from letting out office properties in Hong Kong and Shanghai, the PRC.

The food additive business recorded revenue of HK$2.0 million (2018: nil) and negative gross profit of HK$1.5 million in 2019 (2018: nil). The revenue and cost of sales of the business represent the sales income and manufacturing cost of solid sorbitol from the production base in the Liaoning province, the PRC respectively. Due to lack of economy of scale mainly as a result of the lower-than-expected productivity of the established line, the business recorded a negative gross profit in 2019.

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 2019 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$1.3 million or 11% was primarily due to the absence of the prior year's dividend income from financial assets FVTPL.

Other gains and losses

The other gains and losses in 2019 amounted to loss of HK$40.1 million, mainly comprising of impairment losses on a finance lease receivable and loan receivables totaling HK$39.5 million, a fair value loss of approximately HK$5.2 million on financial assets at FVTPL and a fair value gain of approximately HK$11.7 million on a financial liability at FVTPL. The decrease in overall loss by HK$27.6 million in 2019 was mainly due to net effect (i) decrease in loss on financial assets at FVTPL of HK$41.2 million, and being partially offset by (ii) increase in impairment loss on the financial lease receivables and loan receivables of HK$8.0 million.

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$35.5 million (2018: HK$68.0 million), legal and professional, depreciation of property, plant and equipment and various administrative expenses. The decrease was primarily due to decrease in discretionary management incentive expenses in 2019.

Impairment loss on goodwill

During the year under review, the Group recorded a non-cash impairment loss on goodwill of HK$9.4 million (2018: HK$63.0 million) which arose from the acquisition of the financial leasing business in January 2016. Given that finance lease volume of new finance lease transactions maintained a record low and their profitability exacerbated in 2019, management, amongst others, made downward revisions on revenue and gross profit amount in the latest forecast model to reflect the underperformance of the business in 2019 and the enormous challenging operating environment that lies ahead. According to the value-in use ("VIU") calculation based on the approved 5-year period financial budget of the financial leasing business, a shortfall, obtained by comparing the recoverable amount from the VIU with the carrying amount of the financial leasing business as at 31 December 2019, amounts to HK$9.4 million which is fully allocated to the goodwill as an impairment loss recognised to profit or loss in 2019.

Share of an associate's result/share of result of a joint venture

The share of result of an associate from the terminal and logistics services business in 2019 amounted to a profit of HK$29.4 million as compared with a aggregate profit of HK$48.1 million from the same business (including share of result of an associate and a joint venture) in 2018. The decrease in profit contribution from the business in 2019 was mainly due to the reduction in profit sharing percentage by half as a result of the completion of the partial disposal on 31 August 2018 in a whole year of 2019 as compared with only four months of the previous year.

Income taxation

Income tax credit for the year amounted to HK$1.8 million (2018: income tax expense of HK$13.5 million), mainly comprising of deferred tax credit of HK$3.0 million from recognition of tax losses in the PRC subsidiaries and the imputed interest on deposit from customers (2018: deferred tax credit of HK$9.5 million from imputed interest on deposit from customers and undistributed profits of subsidiaries and an associate), and partially net off with current tax payable of HK$1.2 million from PRC Enterprise Income Tax (2018: current tax payable of HK$23.0 million from withholding tax on capital gain from the partial disposal of JCE).

FINANCIAL POSITION

The total asset amount of the Group as at 31 December 2019 amounted to HK$1,546.7 million, representing a decrease of HK$332.2 million as compared with HK$1,878.9 million as at 31 December 2018. The decrease in total asset was mainly due to a shrinking lease volume of the new finance lease transactions on recourse basis in 2019 where a decrease in finance lease receivables of HK$440.2 million mainly as a result of repayment amount of existing finance lease projects outweighed an additional amount of new finance lease project of HK$151.1 million conducted in form of sale-leaseback transaction and entered this year being classified as loan receivable, instead of finance lease receivable, upon implementation of a new accounting standard HKFRS16 in 2019. Likewise, due to the business model of the financial leasing business which mostly relies on the source of funds from financial institutions to finance the proceeds for the finance lease with customers on a back-to-back basis, the Group's total liabilities and borrowings as at 31 December 2019 dropped to HK$685.7 million and HK$593.3 million by HK$265.5 million and HK$256.9 million from HK$951.2 million and HK$850.2 million as at 31 December 2018 respectively. The gearing ratios (measured as total liabilities over total asset) slightly reduced from 50.6% as at 31 December 2018 to 44.3% as at 31 December 2019 mainly as a result of shrinking scale of leveraged finance lease projects. The current ratios (measured as total current assets over total current liabilities) decreased from 2.0 as at 31 December 2018 to 1.4 as at 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and cash equivalents, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$217.1 million (of which HK$19.5 million was pledged to the banks to secure bank borrowings granted to the Group for financial leasing business (2018: HK$19.9 million)) as compared to HK$364.9 million as at 31 December 2018. As at 31 December 2019, the Group had bank and other borrowings amounting to HK$523.7 million (2018: HK$428.6 million), HK$55.7 million (2018: HK$208.5 million) and HK$13.9 million (2018: HK$213.2 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 2019 and 2018, the Group had no material foreign currency exposure as material transactions such as revenue and cost of sales 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 the finance lease receivables and loan receivable from sale-lease-back transaction and the underlying quality of leased assets and collaterals could adversely affect our business and financial conditions. In order to mitigate those credit risk, 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 31 December 2019, a provision for impairment loss on a finance lease receivable of HK$32.6 million was related to a finance lease transaction with a principle amount of RMB200.0 million or equivalent to HK$223.7 million, secured by machineries and equipment initially 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 aluminum product manufacturer. The transaction was fully financed by a back-to-back bank borrowing on recourse basis. Given that some interest repayment had been overdue up to the reporting end and recent default history on some USD-denominated bonds issued by the ultimate holding company, the Group assessed the recoverability of all the future's repayment in life time by estimating, amongst others, the possibility of defaults, timing of defaults, possibility and the resulting recoverable amount of enforcement actions such as realisation of the secured assets and legal action against the guarantor, it ended up with the above-mentioned provision.

As at 31 December 2019, a provision for impairment loss on a loan receivable from sale-and-lease-back transaction of HK$5.7 million was related to a finance lease transaction with a principle amount of RMB135.0 million or equivalent to HK$151.0 million, secured by aviation facilities initially worth more than the principle amount and guaranteed by its controlling shareholder, the group of which is regarded as one of the leading airline companies in the PRC. Given that the full principle repayment was over due after reporting end and recent default history on some onshore bonds by the controlling shareholder, the Group assessed its recoverability by the similar factors as employed in the above case, it came up with the provision.

Before investing in other 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.

CHARGE OF ASSETS

As at 31 December 2019, the restricted bank deposits of HK$19.5 million (2018: HK$19.9 million) and the finance lease receivables of HK$283.4 million (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 31 December 2019 and 2018.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments of HK$0.1 million (2018: HK$0.6 million) for the acquisition of property, plant and equipment.

PROSPECT

Since an outbreak of the novel coronavirus epidemic happened in Mainland China at the beginning of the year, the Group has taken a proactive approach and adopted various anti-epidemic measures to protect the safety and health of the Group's employees as top priority. A series of stringent but essential epidemic containment measures such as postponement resumption of production activities and provincial travel restrictions has wreaked havoc on almost every sector of the China's economy. Following the virus has continued to evolve in certain major economies such as UK, France, Germany and the USA, and the World Health Organisation recently declared the outbreak as pandemic, the global stock markets have plummeted to reflect the anticipated grim outlook of the global economies. Many central banks of major economies have eased their monetary policies to address the potential massive financial risks amid the contracting economies. What's more, their governments have rolled out enormous economic stimulus and relief plans to stay the hard-hit sectors afloat and alleviate the financial burden of people's livelihood being seriously affected. So far it is hard to estimate how much its adverse impact on the real economy and the Group's business will bring about and how long it will last. At the same time, the Group is clouded with the looming threat of global trade tensions and political disruptions in 2020.

As to the financial leasing segment, the segment has been struggling for a business transformation to mitigate the negative impact of stringent regulatory requirements on the existing business model. With enormous market of consumption-related financing activities, the segment's target clientele is shifting from sizeable state-owned enterprise to SME corporates and individuals to fulfil their financing demands on purchase of various office electronic appliances and household items. The segment is also leveraging the cost and accessibility advantages of online platform as new sale and marketing strategy to promote and gain access to the target customers. In the meantime, the segment will continue to explore new financing varieties, new markets and deepen cooperation with the existing clients. It is also imperative to adhere to the risk management and control policies to critically oversee and timely manage the increasing credit risk of the existing and new finance lease projects affected by the fallout of the epidemic.

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 closely assess its performance and optimize its composition in order to generate a stable Income amid volatile financial markets.

As to the food Additives business, following the productivity of the production line of solid sorbitol has stablised, this gains customers' confidence and some of them have indicated interest to purchase predetermined amount of the product on monthly basis subject to their production schedule. The segment has been stepping up establishment of the second production lines of solid sorbitol in order to meet the increasing demand. The production facilities of back-end processing for various kinds of food additive has been in place and obtained the necessary approval of environmental assessment from the authority. It is still subject to, amongst other, final adjustment on the manufacturing process before normal production trial. A brand new production line of Advantame is still being underway. Though the production base is in Liaoning province, the virus containment measures impacted the daily operation and development. Though the workers have been allowed to return to work, it is yet to resume normal productivities until the major local supplies, customers and logistic carrriers get back on track. The development of the second line of solid sorbitol and the first line of Advantame are put on hold because the machinery and equipment suppliers have not resumed to work. In the meantime, the segment is preparing for the normal production such as recycling the inferior product to raw materials and enhancing the maintenance of the established line. It is also working on the plant design and preparatory works of those new lines. In addition, we are in close contact with the local government to discuss possibility of any government grant and concession to facilitate the segment development.

Facing the unprecedented challenging business environment in China and across the globe, the Group must be prepared for the worst by adhering to the rigorous risk management, in particular credit risk management of counterparties and our own liquidity risk, and leveraging on 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 AND MATERIAL DISPOSALS

At 31 December 2019, the Group held loan receivables (excluding from a loan receivable from sale-leaseback transaction) of HK$95.0 million (2018: HK$167.4 million), equity investments at FVOCI of HK$55.5 million (2018: HK$35.2 million) and financial assets at FVTPL of approximately HK$25.7 million (2018: HK$58.4 million).

During the year, the Group invested in loan receivables through 1 to 2 years trust products of HK$83.8 million issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$7.0 million (2018: HK$9.8 million) and an impairment loss on loan receivables of HK$1.2 million (2018: HK$29.8 million). The equity investment at FVOCI of HK$55.5 million as at 31 December 2019 (2018: HK$35.2 million) represented unlisted equity securities issued by the PRC established private entities with operations including property development in shopping malls, supplies of natural gas and software development in the PRC. There was no significant fair value change in those investments in 2019 (2018: revaluation surplus of HK$0.9 million).

The financial assets at FVTPL of HK$25.7 million as of 31 December 2019 (2018: HK$58.4 million) mainly represented the listed equity shares, bonds, listed and unlisted equity fund products in the Hong Kong and the Chinese stock exchanges. There was a fair value loss of HK$5.2 million recognised to profit or loss in 2019 (2018: HK$46.3 million).

On 30 August 2019, the Group entered into an asset transfer agreement with a vendor, pursuant to which the Group has conditionally agreed to purchase and the vendor has conditionally agreed to sell the land use right of the land situated at Taoci Industrial Zone, Qigong Community, Wan Shou Street, Jianping County, Chaoyang City, Liaoning Province, the PRC and the properties thereon at a consideration of RMB28,600,000 for development of the food additive business. Completion of the agreement took place on 16 October 2019. The land use right of the leasehold land and properties thereon are classified as property, plant and equipment.

On 10 April 2019, the Group entered into an agreement with an 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, and therefore has been classified as investment property at fair value model.

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") carried out 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 ("R&D equipments") of biotechnology. Except for the leased out areas classified as investment property at fair value model, the self-occupied areas of the property and the R&D equipments are classified as property, plant and equipment.

EMPLOYEE AND REMUNERATION

As at 31 December 2019, the Group had approximately 100 (2018: 83) 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 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 39,833,332 share options lapsed during the year, the outstanding number of share options as at 31 December 2019 amounted to 19,833,334. 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 in 2019.

EVENTS AFTER THE REPORTING PERIOD

On 30 December 2019, the Group entered into a placing agreement with a placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 2,383,830,000 placing shares at the placing price of HK$0.014 per placing share. The share placement of 2,383,830,000 placing shares was completed on 22 January 2020. Details of the placing were disclosed in the announcements of the Company on 30 December 2019, 3 January 2020 and 22 January 2020.

On 30 December 2019, the Group entered into a subscription agreement with a target company to subscribe for 8,000,000 subscription shares or approximately 7.46% of the enlarged share capital of the target Company at a consideration of HK$40,000,000. The target company principally engages in money lending business in Hong Kong. Completion of the subscription took place on 24 January 2020. Details of the subscription in the target company were disclosed in the announcements of the Company on 30 December 2019, 23 January 2020 and 24 January 2020.

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of these financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 20 May 2020 to 25 May 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., 19 May 2020.

CORPORATE GOVERNANCE PRACTICE

During the financial year ended 31 December 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 year ended 31 December 2019.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG code, for the purposes of reviewing and providing supervision over the financial reporting process, risk management and internal controls of the Group. The audit committee comprises 3 independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2019 have been reviewed and approved by the audit committee.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Company's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 on this announcement have been agreed by the auditors of the Company, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the same period. 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 preliminary announcement.

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

Hong Kong, 25 March 2020

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