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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (the "Current Period") together with the comparative figures for the corresponding period in 2019 (the "Corresponding Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	5	**18,866**	32,997
Cost of revenue		**(12,389)**	(21,756)
Gross profit		**6,477**	11,241
Other income	7	**2,992**	4,060
Other gains and losses	8	**(66,232)**	(19,490)
Administrative expenses		**(26,980)**	(26,912)
Other operating expenses		**(619)**	(151)
Finance cost	10(a)	**(6,121)**	–
Share of result of associates		**18,126**	13,207
Loss before taxation		**(72,357)**	(18,045)
Income tax credit	9	**79**	1,625
Loss for the period	10	**(72,278)**	(16,420)

	Notes	Six months ended 30 June **2020** **(Unaudited)** ***HK$'000***	 2019 (Unaudited) *HK$'000*
Attributable to:			
– Owners of the Company		**(47,712)**	(9,316)
– Non-controlling interests		**(24,566)**	(7,104)
		(72,278)	(16,420)
		(Unaudited)	(Unaudited and restated)
Loss per share (HK cent)	12		
– Basic		**(3.40)**	(0.78)
– Diluted		**(3.40)**	(0.78)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(72,278)**	(16,420)
Other comprehensive expense		
Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**(14,901)**	(3,293)
Other comprehensive expense for the period, net of income tax	**(14,901)**	(3,293)
Total comprehensive expense for the period	**(87,179)**	(19,713)
Total comprehensive expense attributable to:		
– Owners of the Company	**(60,386)**	(12,539)
– Non-controlling interests	**(26,793)**	(7,174)
	(87,179)	(19,713)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**92,151**	93,811
Investment properties		**123,261**	133,521
Interest in associates	13	**55,584**	338,206
Equity investments at fair value through other comprehensive income		**48,960**	55,517
Finance lease receivables	14	**41,138**	69,913
Loan receivables		**43,880**	26,151
Deferred tax assets		**1,377**	1,324
Restricted bank deposits		**19,143**	19,520
Deposits	15	**10,970**	11,186
		436,464	749,149
Current assets			
Inventory		**16,821**	2,137
Finance lease receivables	14	**305,332**	339,309
Loan receivables		**174,535**	214,212
Other receivables, deposits and prepayments	15	**26,044**	18,612
Financial assets at fair value through profit or loss		**86,267**	25,678
Deposits placed with non-bank financial institutions		**54,195**	90,545
Cash and cash equivalents		**10,716**	107,033
		673,910	797,526
Assets classified as held for sale	13(c)	**322,518**	–
		996,428	797,526

	Notes	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
Current liabilities			
Service cost payables, other payables and accruals	16	**26,983**	28,651
Contract liabilities		**–**	2,563
Financial liability at fair value through profit or loss		**–**	15,660
Tax payable		**14,028**	14,251
Borrowings		**513,542**	523,654
		554,553	584,779
Net current assets		**441,875**	212,747
Total assets less current liabilities		**878,339**	961,896
Capital and reserves			
Share capital	17	**143,030**	119,192
Reserves		**569,248**	621,227
Equity attributable to owners of the Company		**712,278**	740,419
Non-controlling interests		**93,807**	120,600
Total equity		**806,085**	861,019
Non-current liabilities			
Deposits received from customers		**24,707**	24,872
Borrowings		**40,973**	69,633
Deferred tax liabilities		**6,574**	6,372
		72,254	100,877
		878,339	961,896

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

These interim 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 interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019. The accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019 except those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. The Group has not early adopted any new or revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated 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 interim financial statements and their effect are disclosed in note 4.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These interim condensed consolidated financial statements contain interim 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 2019 annual financial statements. These interim condensed consolidated 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 2019 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and 8, Definition of Material
- Amendments to HKFRS 7, HKFRS 9 and HKAS 39, Interest Rate Benchmark Reform
- The Conceptual Framework for Financial Reporting 2018

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

In addition, the Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19 Related Rent Concession on 1 January 2020. These amendments provide lessees with practical relief during the COVID-19 pandemic and are effective for annual report reporting periods beginning on or after 1 June 2020. The impact on this adoption is immaterial to the Group.

3. IMPACT OF COVID-19 IN THE CURRENT REPORTING PERIOD

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020 that has impacted the operations of the Group's segments in various degrees. As to the Financial Leasing Segment, the credit risk of customers in the PRC has generally increased, because their operations were disrupted by the social distancing requirements and recommendations and their cash flow position was deteriorated by less cash inflow as a result of the slashed demand. Other than that, certain customers already in financial difficulty experienced a protracted process to obtain new finance to repay the existing debts and became even more difficult to resolve it. As to the Food Additives Business, it saw a decreased demand for products as a consequence of temporary suspension of customers' operations especially for the first two months sine the epidemic began in China. The expansion plan of this business was slowed down as a result of disruptions in the supply of equipment and logistics and uncertainty on the market prospect.

In preparing the Group's interim condensed consolidated finance statements for the six months ended 30 June 2020, the Group has taken into account the above events that have occurred since 31 December 2019 relate to the effects of the global pandemic. The Group makes estimates of expected credit losses attributable to finance lease receivables and loan receivables including the incorporation of forward-looking information, valuation of asset collaterals, etc to supplement historical defaulted rates. The Group also considered economic downturn and uncertainties that have risen as a result of Covid-19, when evaluating the fair value of the Group's investments during the current reporting period.

Nevertheless, as the outbreak of COVID-19 continues to evolve, it is challenging at this juncture to predict the full extent and duration of its impact to the business and the economy. Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there is no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this interim condensed consolidated 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 2019 annual financial statements.

There is significant ongoing uncertainty surrounding the COVID-19 global pandemic and the extend and duration of impacts on expected credit losses of finance lease receivables and loan receivables, impairments of property, plant and equipment, write down of inventory and fair value on investment properties and financial investment products. As the impacts of COVID-19 are evolving, there will be significant changes between the actual and estimated impacts on the Group during the remaining period of 2020.

5. REVENUE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance lease and sale-leaseback interest income	**10,019**	18,891
Service fee income	**1,823**	8,791
Loan interest income	**1,901**	4,533
Rental income	**2,264**	775
Sale of goods	**2,859**	7
	18,866	32,997

At 30 June 2020, the Group has no contract liabilities (31 December 2019: HK$2,563,000). The contract liabilities mainly related to the advance consideration received from customers arising from asset management advisory services to be rendered by the Group.

6. 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 follow:

Financial leasing	–	provision of finance lease consulting services and financing services in the PRC ("Financial Leasing Segment")
Investment	–	investment properties 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") and trading of medical and health care products in Hong Kong ("Trading Business")

The analysis of the revenue and segment results of the Group by reportable and operating segments are as follow:

	Revenue		Segment results	
	Six months ended 30 June			
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segments				
Financial leasing	**13,639**	27,682	**(50,617)**	(16,239)
Investment	**2,368**	5,308	**(6,445)**	(880)
Others	**2,859**	7	**(7,119)**	(3,854)
	18,866	32,997	**(64,181)**	(20,973)
Unallocated corporate expenses			**(16,130)**	(16,689)
Unallocated other income, gains and losses			**16,106**	6,413
Impairment loss on interest in an associate upon reclassification to assets classified as held for sale			**(25,802)**	–
Share of associates results			**18,126**	13,206
Other expenses			**(476)**	(2)
Loss before taxation			**(72,357)**	(18,045)

Segment results represent the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, impairment loss on interest in an associate upon reclassification to assets classified as held for sale, share of associates results and corporate expenses.

The Group's financial leasing and Food Additives businesses are located in the PRC. Investment division comprises of properties investment and leasing business carried out in the PRC and Hong Kong, while its money lending and investment in securities businesses are in Hong Kong. Except for revenue amount of HK$3,198,000 was generated in Hong Kong during the Current Period (six months end 30 June 2019: HK$4,893,000), the remaining amount of HK$15,668,000 was generated in the PRC (six months end 30 June 2019: HK$28,104,000).

The analysis of the assets and liabilities of the Group by reportable and operating segments are as follow:

	Assets		Liabilities	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segments				
Financial leasing	**787,034**	880,789	**592,854**	631,492
Investment	**140,264**	138,426	**687**	534
Others	**89,013**	68,626	**626**	720
	1,016,311	1,087,841	**594,167**	632,746
Assets classified as held for sale	**322,518**	–	**–**	–
Interest in associates	**55,584**	338,206	**–**	–
Unallocated corporate items	**38,479**	120,628	**32,640**	52,910
	1,432,892	1,546,675	**626,807**	685,656

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

– all assets are allocated to reportable and operating segments other than assets classified as held for sale, interest in associates, 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.

7. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from loan receivables	**2,504**	2,431
Interest income from banks and non-bank financial institutions	**37**	1,573
Government subsidies	**451**	–
Sundry income	**–**	56
	2,992	4,060

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Change in fair value in financial assets at fair value through profit or loss ("FVTPL")	**(3,935)**	(2,429)
Gain on disposal of financial assets at fair value through other comprehensive income ("FVOCI")	**948**	–
Change in fair value in financial liability at FVTPL	**15,660**	5,700
Impairment loss on interest in an associate upon reclassification to assets classified as held for sale	**(25,802)**	–
Change in fair value of investment properties	**(8,996)**	–
Impairment loss on a finance lease receivable	**(27,553)**	(21,652)
Impairment loss on a loan receivable	**–**	(1,235)
Impairment loss on a loan receivable from sale-leaseback transaction	**(16,532)**	–
Net foreign exchange (losses)/gains	**(11)**	126
Write down of asset	**(11)**	–
	(66,232)	(19,490)

9. TAXATION

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The (credit)/charge comprises:		
Current tax		
– Hong Kong Profits Tax	**–**	–
– PRC income tax	**–**	1,353
Deferred tax credit	**(79)**	(2,978)
	(79)	(1,625)

10. LOSS FOR THE PERIOD

The Group's loss for the period arrived after charging:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' remuneration	**5,762**	5,381
Interest expenses (included in cost of revenue)	**8,522**	18,995
Finance cost *(note a)*	**6,121**	–
Depreciation of property, plant and equipment	**699**	1,528
Depreciation of right-of-use assets	**1,964**	272
Short-term lease expenses	**1,057**	2,163
Staff costs (including directors' and chief executive's emoluments)	**15,344**	15,677

Note

(a) The Group's finance cost of approximately HK$6.1 million represented interest payable to a bank borrowing, the entire proceeds of which was to finance a currently credit-impaired finance lease receivable. Due to the remote collectability of the receivable, none of any finance lease interest income from this receivable was recognised in the Group's revenue in the Current Period (Corresponding Period: HK$4.6 million).

11. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the company for the purpose of basic and diluted loss per share	**(47,712)**	(9,316)

	Number of shares	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited and restated)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,402,797**	1,191,920

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 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.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the period ended 30 June 2019 has been adjusted for the effect of share consolidation completed on 26 March 2020.

13. INTEREST IN ASSOCIATES

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Unlisted investments at cost	**55,248**	305,607
Accumulated:		
Share of post-acquisition profits, net of dividends received	**336**	39,888
Exchange difference	**–**	(7,289)
	336	32,599
	55,584	338,206

Notes:

(a) On 30 December 2019, the Group entered into a subscription agreement with Simagi Finance Company Limited ("Simagi"), a company incorporated in Hong Kong with limited liability, which its ultimate beneficial owner(s) are independent third parties of and not connected with the Company and its connected person, to subscribe approximately 7.46% of the enlarged share capital of Simagi at consideration of HK$40,000,000. Having satisfied all the terms and conditions of the agreements, the acquisition was completed on 24 January 2020. For the period ended 30 June 2020, the share of profit of Simagi for the period of HK$72,000 was recognised in profit or loss.

(b) On 13 March 2020, the Group entered into a subscription agreement with Era Bright Limtied ("Era Bright"), a company incorporated in Hong Kong with limited liability, which its ultimate beneficial owner(s) are independent third parties of and not connected with the Company and its connected person, to subscribe approximately 18.55% of the enlarged share capital of Era Bright at consideration of HK$15,000,000. Having satisfied all the terms and conditions of the agreements, the acquisition was completed on 17 March 2020. For the period ended 30 June 2020, the share of profit of Era Bright for the period of HK$264,000 was recognised in profit or loss.

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

During the period ended 30 June 2020, the Purchaser has exercised the Call Option, pursuant to which the Purchaser will acquire the remaining 25% equity interest in Rizhao Lanshan at an exercise price of RMB294 million, and entered into a separate share transfer agreement with the Group on 26 August 2020. The share of profits from Rizhao Lanshan for the period of RMB16,142,000 (equivalent to approximately HK$17,790,000) was recognised in profit or loss. As at 30 June 2020, the remaining 25% equity interest in Rizhao Lanshan was reclassified from interest in an associate to assets classified as held for sale with carrying amount of HK$322,518,000 and impairment loss of HK$25,802,000 was recognised in profit or loss.

14. FINANCE LEASE RECEIVABLES

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Finance lease receivables	**406,805**	442,780
Less: provision for impairment losses	**(60,335)**	(33,558)
	346,470	409,222
Represented by:		
Current finance lease receivables	**305,332**	339,309
Non-current finance lease receivables	**41,138**	69,913
	346,470	409,222

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 2020, the average term of finance leases entered into is 5 years (31 December 2019: 5 years).

Amounts receivable under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
Not later than one year	**351,709**	387,474	**305,332**	339,309
Later than one year and not later than five years, inclusive	**42,095**	72,354	**41,138**	69,913
	393,804	459,828	**346,470**	409,222
Less: unearned finance income	**(47,334)**	(50,606)	–	–
Present value of minimum lease payments receivable	**346,470**	409,222	**346,470**	409,222

The Group's finance leases receivables are denominated in RMB. The effective interest rates of the finance leases as at 30 June 2020 range from 4.28% to 5.50% (31 December 2019: 4.28% to 5.50%) per annum.

As at 30 June 2020, finance lease receivables with carrying amounts of HK$269,679,000 (31 December 2019: HK$308,547,000) 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 2020, the finance lease receivables with carrying amounts of HK$250,482,000 (31 December 2019: HK$283,379,000) were pledged as security for the Group's borrowings.

Deposits of HK$24,707,000 (31 December 2019: HK$24,872,000) 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 a finance lease receivable of HK$60,335,000 (31 December 2019: HK$33,558,000), the remaining finance lease receivables at the end of the reporting periods are neither past due nor impaired.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Other receivables, deposits and prepayments	**37,014**	29,798
Less: Amounts not receivable within one year shown under non-current assets	**(10,970)**	(11,186)
	26,044	18,612

16. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the service cost payables of HK$3,000 (31 December 2019: HK$1,041,000) which are included in the Group's service cost payables, other payables and accruals is as follows:

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Service cost payables:		
Within 30 days	**–**	–
Over 365 days	**3**	1,041
	3	1,041
Other payables and accruals	**26,980**	27,610
	26,983	28,651

17. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each *'000*	Number of ordinary share of HKF$0.1 each *'000*	Nominal value *HK$'000*
Authorised:			
At 1 January 2019, 31 December 2019 and 1 January 2020	40,000,000	–	400,000
Share Consolidation *(note b)*	(40,000,000)	4,000,000	–
At 30 June 2020	–	4,000,000	400,000
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020	11,919,198	–	119,192
Shares issued upon completion of share placement *(note a)*	2,383,830	–	23,838
Share Consolidation *(note b)*	(14,303,028)	1,430,303	–
At 30 June 2020	–	1,430,303	143,030

Notes:

(a) Pursuant to the placing agreement entered into on 30 December 2019, the Company has conditionally agreed to place, through placing agents, up to 2,383,830,000 new shares to not less than 6 placees at the placing price at HK$0.014 per new share. The placing of entire new shares was completed on 22 January 2020.

(b) With effect from 26 March 2020, every ten (10) issued and unissued shares of the Company of HK0.01 each was consolidated into one (1) consolidated share of the Company of HK$0.1 each (the "Share Consolidation"). Further details of the Share Consolidation are set out in the announcements dated 14 February 2020 and 24 March 2020 and circular of the Company dated 4 March 2020.

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2020 (31 December 2019: nil).

19. CAPITAL COMMITMENTS

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the interim condensed consolidated financial statements	**121**	124

20. EVENT AFTER THE REPORTING PERIOD

1. On 13 July 2020, the Group entered into a subscription agreement with a target company, an independent third party of the Group, to subscribe for 350 subscription shares or approximately 35% of the enlarged share capital of the target company at the aggregate subscription price of HK$67,300,000, which shall be settled in kind by a wholly owned subsidiary ("Subscriber") by transferring the entire share capital of a wholly owned subsidiary of the Subscriber which is holding an investment property. The target company and its subsidiaries principally engages in property investment and leasing business in Hong Kong. Completion of the subscription took place on 16 July 2020. Details of the subscription in the target company were disclosed in the announcement of the Company on 13 July 2020.

2. On 29 July 2020, the Group entered into a sale and purchase agreement with a BVI company ("Vendor"), an independent third party of the Group, pursuant to which the Vendor conditionally agreed to sell, and the Group conditionally agreed to buy the entire issued share capital of a target company for a consideration of HK$47,802,000 which was settled by the allotment and issuance of 257 million Consideration Shares in which 108 million Consideration Shares are escrowed and will be released upon fulfillment of profit guarantee for financial years 2020 and 2021 at the Issue Price of HK$0.186 per Consideration Share. The target company is principally engaged in production, wholesales, distribution and trading of daily necessities.

   Completion of the sale and purchase agreement took place on 21 August 2020. Details of the subscription in the target company were disclosed in the announcements of the Company on 29 July 2020 and 21 August 2020.

3. On 26 August 2020, the Group entered into a sale and purchase agreement with the Purchaser, pursuant to which the Group disposed of the remaining 25% equity interest in Rizhao Lanshan at a consideration in accordance with the exercise price of the Call Option that the Purchaser has exercised. As at the date of the reporting end, completion of the sale and purchase agreement is still subject to amongst others, all consent, permission, authorisation and approvals (such as the approvals from the relevant PRC commercial supervisory department, the relevant governmental authorities and securities regulatory authorities) which are required for the sale and purchase agreement and the transaction contemplated thereunder having been obtained by the Group and the Purchaser, and yet completed. The Company will make further announcement when it is completed. Please refer to the Company's announcement dated 15 May 2018, circular dated 25 June 2018 and poll result announcement dated 17 July 2018 for the approval of the Call Option and the antecedent transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six-months ended 30 June 2020 (the "Current Period"), the Group recorded the revenue of HK$18.9 million as compared with HK$33.0 million for the six-months ended 30 June 2019 (the "Corresponding Period"), gross profit of HK$6.5 million as compared with HK$11.2 million in the Corresponding Period and a net loss of HK$72.3 million as compared with the net loss of HK$16.4 million in the Corresponding Period.

For the period under review, the Financial Leasing Segment recorded a segment loss of HK$50.6 million (Corresponding Period: a segment loss of HK$16.2 million) (the definition of segment profit or loss and detailed analysis set out in note 6 to the condensed consolidated financial statements). The increase in loss was mainly attributable to (i) the recognition of a non-cash impairment loss of approximately HK$44.1 million on a finance lease receivable and a loan receivable (Corresponding Period: HK$22.9 million), (ii) an increase in finance cost of HK$6.1 million relating to a back-to-back borrowing, the proceeds of which was to finance a recently credit-impaired finance lease project, (iii) a fair value loss on financial assets at fair value through profit or loss of HK$4.9 million as compared with a fair value gain on the same of HK$2.1 million in the Corresponding Period.

The investment segment recorded interest income of HK$0.1 million from money lending business (Corresponding Period: HK$4.5 million) and rental income of HK$2.3 million (Corresponding Period: HK$0.8 million) as revenue in Current Period. A significant increase in loss from HK$0.9 million in the Corresponding Period to HK$6.4 million in the Current Period was due to (i) an increase in loss on fair value of investment properties in Hong Kong and the PRC of HK$9.0 million, (ii) a decrease in loan interest income from money lending business of HK$4.4 million as a result of significant reduction in its loan portfolio amount in the Current Period.

The Food Additives Business, classified under others in the segment information, carried out manufacturing and sale of solid soritol with an established production line, performed research & development of Advantame, highly extreme sweetener, and EPS, clinic diagnostic reagent. During the Current Period, the business recorded revenue of approximately HK$0.9 million (Corresponding Period: HK$7,000) and a loss of HK$5.2 million in the Current Period (Corresponding Period: HK$3.9 million). The recent outbreak of the COVID-19 disrupted the production capacity of the established production line of solid Soritol due to temporary suspension of operation, so did the normal operation of our customers, primarily food additives manufacturers in the PRC which reduced the purchase of solid Sorbitol from us. It led to a reduction in revenue in the Current Period as compared with the revenue in the second half of 2019 it was still greater than, while in the Corresponding Period when it predominately halted the revenue by production detects holding back the normal production scale. The outbreak of epidemic also impeded the Group's expansion plan of this segment because of the difficulty to source the necessary machinery and equipment from the suppliers and arrange relevant delivery service from logistic companies when they were mostly out of or in limited operation caused by social distancing measures and travel restrictions. Together with the uncertainty in the market, the Group slowed down the development phrase of this business, and reallocated the originally earmarked HK$15.0 million for the expansion such as establishment of a brand new plant of Advantame and a second production line of solid Sorbitol to the development of medical and health care products trading business.

In light of the public awareness of personal hygiene and health, the Group commenced a trading business of the medical and health care products in Hong Kong to tap into this promising industry in the Current Period. The business, classified under others in the segment information, recorded revenue of HK$2.0 million and a loss of HK$1.9 million.

After considering (i) the corporate and other expenses of HK$16.6 million, slightly down by HK$0.1 million, (ii) impairment loss on interest in an associate upon reclassification to assets classified as held for sales of HK$25.8 million (Corresponding Period: nil); certain unallocated other income and gain of HK$16.1 million primarily representing a fair value gain on an option granted by the Group, up by HK$9.7 million, (iii) share of associates' results of HK$18.1 million as compared with HK$13.2 million in the Corresponding Period, and (iv) income tax credit of HK$0.1 million, as compared with income tax credit of HK$1.6 million in the Corresponding Period, the Group recorded a net loss of HK$72.3 million and net loss attributable to owners of the Company of HK$47.7 million in the Current Period as compared with net loss of HK$16.4 million and net loss attributable to the owners of the Company of HK$9.3 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$13.6 million and HK$4.4 million (six months ended 30 June 2019: HK$27.7 million and HK$5.9 million), representing 72% and 67% (six months ended 30 June 2019: 84% and 53%) 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 revenue 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 continuous decline on revenue and gross profit. The segment has been grappling with the unfavorable operating environment in the People's Republic of China (the "PRC"), especially the stringent regulatory oversight of the industry which hampered the segment effort to obtain credits from banks with terms matching prospective customers' needs and hence the number of the conventional finance lease transaction (i.e. finance lease project fully financed by the back-to-back bank borrowing) and its resulting service fee income were significantly reduced. Other than the finance lease interest income from the unexpired finance lease projects completed in previous years, the segment recorded interest income from a self-funded project and consultancy service income from provision of few financial consultancy services in the Current Period.

The money lending business and property leasing business (classified under the Investment segment) recorded both revenue and gross profit of HK$2.4 million (Corresponding Period: both HK$5.3 million), representing 13% and 37% (Corresponding Period: 16% and 47% respectively) of the Group's revenue and gross profit in the Current Period 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, the PRC.

The Food Additives Business and Trading Business (both classified under others) recorded revenue of HK$2.9 million and negative gross profit of HK$0.3 million (Corresponding Period: HK$7,000 and –HK$4,000), representing 15% and –4% of (Corresponding Period: both less than 1%) the Group's revenue and gross profit respectively in the Current Period. The increase in the segment revenue was mainly due to the commencement of Trading Business in the Current Period.

Other income

Other income of the Group mainly comprised of interest income from trust products issued by asset management companies in the PRC, government subsidy income in Hong Kong and interest income from bank and non-bank financial institutions. The slight decrease of HK$1.1 million or 26% in the Current Period was mainly due to general decline in the interest income from non-bank financial institutions.

Other gains and losses

In the Current Period, other gains and losses of the Group amounted to a loss of HK$66.2 million (Corresponding Period: HK$19.5 million) predominantly representing the provision for impairment loss on a finance lease receivable and a loan receivable of HK$44.1 million from the Financial Leasing Segment (Corresponding Period: HK$22.9 million), impairment loss on interest in an associate upon reclassification of it as assets held for sale of HK$25.8 million (Corresponding Period: nil), fair value loss on investment properties of HK$9.0 million (Corresponding Period: nil), overall loss on fair value change of financial assets at FVTPL and other comprehensive income ("OCI") of HK$3.0 million (Corresponding Period: HK$2.4 million), partially offset by fair value gain on an unlisted option (classified as financial liability at FVTPL) to sell the remaining 25% equity interest on an associate granted by the Group (the "Option") of HK$15.7 million (Corresponding Period: 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$27.6 million, slightly up by HK$0.5 million, mainly including staff costs of HK$15.3 million (including directors' and chief executive's emoluments) (Corresponding Period: HK$15.7 million), office rental expenses, legal and professional fees and various other administrative expenses.

Finance cost

The Group's finance cost of HK$6.1 million represented an interest payable to a bank borrowing, the entire proceeds of which was to finance a currently credit-impaired finance lease receivable. Due to the remote collectability of the receivable, none of any finance lease interest income from this receivable was recognised in the Group's revenue in the Current Period (Corresponding Period: HK$4.6 million).

Share of result of associates

The share of result of associates in the Current Period amounted to a profit of HK$18.1 million as compared with a profit of HK$13.2 million in the Corresponding Period. The increase in the shared profit amount of HK$4.9 million in the Current Period was two-folded, namely an increase in shared profit of HK$4.6 million from the 25% equity interest in terminal and logistics business and an increase in shared profit of HK$0.3 million from two newly acquired associate companies, both of which were carried out licensed money lending business in Hong Kong.

Income taxation

Income tax credit for the Current Period amounted to HK$0.1 million, down by HK$1.5 million, mainly comprising of deferred tax credit from amortization of imputed interest on long term deposit from customers.

Loss for the period

Net loss for the Current Period of the Group amounted to approximately HK$72.3 million as compared with net loss of approximately HK$16.4 million in the Corresponding Period was mainly owning to (i) the aforesaid increase in the recognition of a non-cash impairment loss of approximately HK$44.1 million on finance lease and loan receivables, (ii) the recognition of an impairment loss of approximately HK$25.8 million from the remaining 25% equity interest in Rizhao Lanshan Wansheng Harbour Company Limited ("Interest in Rizhao Lanshan") upon reclassification of interest in an associate as assets classified as held for sales, which is further offset by a fair value gain of approximately HK$15.7 million on the option to sell the Interest in Rizhao Lanshan granted by the Group (the "Option"), resulting in a net amount of approximately HK$10.1 million, (iii) the increase in fair value loss on investment properties in Hong Kong and Shanghai of approximately HK$9.0 million, (iv) the increase in finance cost of approximately HK$6.1 million relating to a back-to-back bank borrowing and (v) a decrease in the Group's gross profit of HK$4.8 million in the Current Period, primarily as a result of decrease in contribution from the Group's money lending business.

The total asset amount of the Group as at 30 June 2020 stood at HK$1,432.9 million, down by HK$113.8 million as compared with HK$1,546.7 million as at 31 December 2019. The decrease in total assets was mainly attributable to a decrease in those from Financial Leasing Segment where there was an overall reduction in finance lease receivables and a loan receivable from sales-leaseback transaction of approximately HK$82.0 million as a result of the net repayment amount of the existing finance lease projects on recourse basis and the recognition of provision for impairment loss on the receivables in the Current Period.

The total liability of the Group as at 30 June 2020 amounted to HK$626.8 million, down by HK$58.9 million as compared with HK$685.7 million as at 31 December 2019. The decrease in total liabilities was due to the net repayment amount of the back-to-back borrowings of HK$38.8 million as a result of the relevant repayment of finance lease projects and a decrease in the fair value of the Option, classified as financial liability at FVTPL in the Current Period.

The gearing ratios (measured as total liabilities over total assets) slightly decreased from 44.3% as at 31 December 2019 to 43.7% as at 30 June 2020 and the current ratios (measured as total current assets over total current liabilities) increased from 1.36 as at 31 December 2019 to 1.80 as at 30 June 2020 as a result of reclassification of interest in an associate, Rizhao Lanshan, from non-current asset to current asset in the Current Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$84.1 million (of which HK$19.1 million was pledged to the banks to secure bank borrowings granted to the Group for financial leasing business (31 December 2019: HK$19.5 million)) as compared to HK$217.1 million as at 31 December 2019. As at 30 June 2020, the Group had bank and other borrowings amounting to HK$513.5 million (31 December 2019: HK$523.7 million) and HK$41.0 million (31 December 2019: HK$69.6 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, issue of new shares 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 revenue 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 30 June 2020, a provision for impairment loss on a finance lease receivable of HK$60.3 million (as at 31 December 2019: HK$32.6 million) was related to a finance lease transaction with a net principal amount of RMB200.0 million or equivalent to HK$219.4 million, secured by machineries and equipment whose fair value exceeds the net principal 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 a winding up petition against the borrower was granted by an provincial court in the PRC in June 2020, the persistently defaulted interest repayments and the financial difficulty of the ultimate holding company, the Group assessed the recoverability of all the future's repayments in life time as at 30 June 2020 by estimating, amongst others, the possibility of defaults, timing of defaults, possibility of occurrence and the resulting recoverable amount of various enforcement actions such as realisation of the secured assets and legal action against the guarantor. As a result of the worsening situation, the Group, amongst others, increased the possibility of default from 45% as at 31 December 2019 to 100% as at 30 June 2020 that resulted in decrease in weighted average recoverable amount and ended up with the increased provision in the Current Period.

The local management team has been closely following up with the incident. The Group has appointed a reputable legal practitioner being expertise at litigation of debt recovery in the PRC who has furnished the receiver with the legitimate interest on the receivable and the underlying ligitimate interest over the leased assets and will continue to represent the Group to attend the prospective creditor meetings. The Group will regularly check the conditions of the leased assets and fully cooperate with the ultimate creditor to resolve this matter. We will firmly adhere the internal debt recovery procedures, and take prompt actions to address the credit risk and protect the Group's assets.

As at 30 June 2020, a provision for impairment loss on a loan receivable from sale-lease back transaction of HK$21.9 million (as at 31 December 2019: HK$5.6 million) was related to a finance lease transaction with a principal amount of RMB135.0 million or equivalent to HK$148.1 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. The transaction was fully financed by a back-to-back bank borrowing on recourse basis. Given that the full principal repayment was already over due in the Current Period, the Group assessed its recoverability by the similar factors as at 30 June 2020 as employed in the above case, amongst which the possibility of default was significantly increased, it came up with the increased provision. Likewise, local management has been proactively following up with the defaulted amount. The Group, the borrower and the creditor have been negotiating various repayment plans amongst which the most possible one is that the creditor will provide a new finance to repay the existing debt. If materialises, the Group's receivable and the relevant borrowing will be completely set off. The finalisation and execution of the plan has been impeded by the epidemic and further bureaucratic approvals as a result of the recent organizational restructuring of the borrower. The Group will closely monitor the status and adhere to the robust procedures to protect the Group's assets.

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 30 June 2020, the restricted bank deposits of HK$19.1 million (31 December 2019: HK$19.5 million) and the finance lease receivables of HK$250.5 million (31 December 2019: HK$283.4 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 2020 and 31 December 2019.

CAPITAL COMMITMENTS

The Group had capital commitments of HK$0.1 million for the acquisition of property, plant and equipment as at 30 June 2020 (31 December 2019: HK$0.1 million).

PROSPECT

Since the COVID-19 epidemic broke out across the globe in early this year, a series of epidemic containment measures have been in place to curb the spreading. They have unavoidably hampered most of the commercial activities and wreaked havoc on literally every sector of the global economy. While the global infection numbers are still on the rise, China has recently demonstrated its effectiveness of the measures and maintained at relatively low infection rate. In an orderly manner, China has gradually and vigilantly resumed work and production at its entirety. The piled up and suppressed demand is gradually released. Though China has shown strong resilience and flexibility in this tumultuous time, revival of its past economic success is still in question against the backdrops of escalating geopolitical tensions, speeding up deglobalization and the economic recessions in other developed countries unremittingly lashed with the destructive epidemic. It is anticipated that the central banks of the developed economies will continue to ease their monetary policies to address the potential massive financial risks while their government will continue to roll out anti-epidemic financial subsidies to stay the hard-hit sectors afloat until the effective medications available are brought into play to cope with the health crisis.

As to the Financial Leasing Segment, the segment has been struggling for a business transformation to mitigate the adverse impact of the stringent regulatory requirements on the existing business model. The segment has been targeting domestic consumption-related industries that look promising and are less susceptible to the oversea markets that may be compromised by the geopolitical tensions. Accordingly, the target clientele has been shifting from sizeable state-owned enterprises to SME corporates and individuals, major market participants of the targeted industries, to fulfill their financing demands of or provide consultancy service to assist to purchase of various consumables. Exploration of new financing varieties and deepening cooperation with the existing clients will continue to proceed. It is also imperative to adhere to the risk management and control policies to critically oversee and timely manage the increasing or potentially adverse change in credit risk of the existing and new finance projects especially those relating to the hard-hit sectors by the epidemic. The segment will abide by the internal procedures to closely follow up with certain defaulted finance lease projects in a bid to protect the Group's assets.

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 effective risk management and control policies, we closely assess its performance and optimize its composition in order to generate a stable income and provide the necessary liquidity to the Group amid anticipatedly volatile financial markets.

As to the Food Additives Business, the epidemic containment measures adversely impacted its daily operation and development. Though the workers were allowed to return to work, the normal production of the sole production line of solid sorbitol has been impeded by the slashed demand from customers in Guangdong province whose food processing operation were suspended, and later halted by the adverse weather conditions. The sales team will get out of their way to diversify the potential customers in different provinces and industries to bring about the stability of purchase orders. The production team has been enhancing the maintenance of the production line to remedy the intermittent occurrence of production defects while it is temporarily close. The expansion plan including establishment of second production line of solid sorbitol and the first line of Advantame has been slowed down because of the disruptions of logistics and equipment supplies and the uncertainty of the market outlook. The plan will only proceed at normal speed when a sign of recovery is seen. In the meantime, the business has been tightening the cost budgets to minimize the unnecessary expenditures.

As to the medical and healthcare product trading business, the Group will diversify the products and broaden the distribution channels to bolster the business volume. The recent acquisition of Tripler Holdings Limited, details of its operation refer to the Company's announcement on 29 July 2020, will bring about a potential synergic effect by gaining access to its extensive distribution network in Hong Kong. In view of the outbreak of COVID-19 worldwide and the increase in public awareness of hygiene and health, the demand for the relevant products looks promising. The Group will cautiously set aside sufficient resource to cultivate the business and considers it as a growth impetus in the future.

Facing the unprecedented challenging environment in China and across the globe, the Group will continue to be prepared for the worst. By adhering to the effective risk management, adjusting the pace of long term development to conserve the precious resources, relentlessly cutting back on the unnecessary operating expenses, the Group is confident to overcome the operating difficulties. By leveraging on the existing resources and capabilities, the Group will cautiously and diligently look for new potential growth opportunities in order to diversify the income sources and attain a long term growth.

SIGNIFICANT INVESTMENTS/MATERIAL DISPOSALS

At 30 June 2020, the Group held loan receivables (excluding from a loan receivable from sale-leaseback transaction) of HK$92.3 million (31 December 2019: HK$95.0 million), equity investments at FVOCI of HK48.9 million (31 December 2019: HK$55.5 million) and financial assets at FVTPL of approximately HK$86.3 million (31 December 2019: HK$25.7 million). During the period, the Group invested in loan receivables through 1 to 2 years trust products of HK$46.1 million issued by financial institutions in the PRC and loan receivables of HK$5.0 million to individuals in Hong Kong. The Group recorded loan interest income from loan receivables amounting to HK$2.5 million (Corresponding Period: HK$7.0 million) and no impairment loss on loan receivables (Corresponding Period: HK$1.2 million). The equity investment at FVOCI of HK$48.9 million as at 30 June 2020 (31 December 2019: HK$55.5million) represented unlisted equity securities issued by the PRC established private entities with operations including property development in shopping malls and software development in the PRC. There was a gain of disposal on those investments of HK$0.9 million recognised through profit or loss in the Current Period (Corresponding Period: nil). The financial assets at FVTPL of HK$86.3 million as of 30 June 2020 (31 December 2019: HK$25.7 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$3.9 million recognised to profit or loss in the Current Period (Corresponding Period: a fair value loss of HK$2.4 million).

On 30 December 2019, the Group entered into a subscription agreement with Simagi 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. Simagi principally engages in money lending business in Hong Kong. The investment has been accounted for as interest in an associate since the 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.

On 13 March 2020, the Group has entered into a subscription agreement with Era Bright, a company incorporated in Hong Kong with limited liability to subscribe approximately 18.55% of the enlarged share capital of Era Bright at consideration of HK$15,000,000. Era Bright principally engages in money lending business in Hong Kong. The investment has been accounted for as interest in an associate since the completion took place on17 March 2020.

EMPLOYEE AND REMUNERATION

As at 30 June 2020, the Group had 65 (31 December 2019: approximately 100) employees (excluding employees of the Company's associates) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

A share option scheme was adopted on 29 July 2016. As at 31 December 2019 a total outstanding number of share options were granted to the eligible employees, including directors of the Company, amounted to 19,833,334. With no share options lapsed and new share options granted during the period, the outstanding number of share options as at 30 June 2020 shrunk to 1,983,333 solely due to the completion of the share consolidation on the basis of every 10 issued and unissued shares consolidated into 1 consolidated share on 26 March 2020. Details of the share options granted are set out in the announcement of the Company dated 8 December 2016.

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

Reference is made to the Company's announcements on 30 December 2019 and 31 March 2020 in relation to placing of placing of new shares under general mandate and change in use of proceeds from the placing (collectively refer as to "Announcements"). Unless otherwise stated, capitalized terms used herein shall bear the same meanings as defined in the Announcements.

	Intended use of proceeds	Actual and update on use of proceeds
(1)	Total of HK$26.0 million for the Food Additives Business in which (i) HK$19.7 million will be allotted to capital expenditure and related expenses on establishing a new production line for the manufacturing of crystalline sorbitol and a new production line for the manufacturing of Advantame (ii) HK$6.3 million will be set aside as additional working capital of the operation of the production lines.	1(i) Due to the expansion plan of the Food Additives Business was disrupted by the recent outbreak of the Covid-19, HK$15.0 million out of HK$19.7 million was re-allocated to the trading business. The remaining proceeds of HK$4.7 million has been unutilised and deposited into bank accounts of Hong Kong head offices; 1(ii) an amount of HK$6.3 million was fully utilized as working capital of the Food Additives Business.
(2)	The remaining proceeds of HK$6.2 million will serve as general working capital of the Group.	(2) An amount of HK$6.2 million was fully utilised as general working capital of the Group.
(3)	The re-allocated HK$15.0 million will be for purchasing of the medical and hygiene products for trading purpose.	(3) An amount of HK$15.0 million was fully utilised as payment for purchasing the medical and hygiene products for trading purpose.

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 2020, 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 25 May 2020 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 2020.

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 2020 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, 26 August 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 diretor; and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as independent non-executive directors.