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2020 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 2020 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	66,184	71,155
Cost of revenue		(82,552)	(49,354)
Gross (loss)/profit		(16,368)	21,801
Other income	5	8,245	10,500
Other gains and losses	5	34,801	(583)
Administrative expenses		(123,697)	(64,255)
Impairment loss on:			
Receivable from a sale-leaseback transaction	11	(96,896)	(5,678)
Finance lease receivables	10	(102,530)	(32,578)
Loan receivables	11	(3,380)	(1,211)
Goodwill		–	(9,373)
Property, plant and equipment		(5,089)	–
Interest in an associate upon reclassification to assets classified as held for sale		(30,973)	–
Share of results of associates		(5,664)	29,389
Other expenses		(661)	(773)
Finance costs		(391)	–
Loss before taxation		(342,603)	(52,761)
Income tax (expense)/credit	6	(13,975)	1,798
Loss for the year	7	(356,578)	(50,963)

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Loss for the year attributable to:

Owners of the Company	(242,933)	(34,132)
Non-controlling interests	(113,645)	(16,831)
	<u>(356,578)</u>	<u>(50,963)</u>

(Restated)

Loss per share (*HK cents*)

Basic	<i>8</i>	<u>(16.09)</u>	<u>(2.86)</u>
Diluted		<u>(16.09)</u>	<u>(2.86)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	<u>(356,578)</u>	<u>(50,963)</u>
Other comprehensive income/(expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange difference arising on translation to presentation currency	3,417	(15,719)
Fair value change on equity investment of fair value through other comprehensive income	(3,563)	–
Share of other comprehensive income of associates	<u>(16)</u>	<u>–</u>
Other comprehensive expense for the year, net of income tax	<u>(162)</u>	<u>(15,719)</u>
Total comprehensive expense for the year	<u>(356,740)</u>	<u>(66,682)</u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(242,695)	(47,518)
Non-controlling interests	<u>(114,045)</u>	<u>(19,164)</u>
	<u>(356,740)</u>	<u>(66,682)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		90,112	93,811
Investment properties		148,331	133,521
Goodwill		25,556	–
Interests in associates		95,111	338,206
Equity investments at fair value through other comprehensive income		123,781	55,517
Finance lease receivables	10	14,132	69,913
Loan receivables	11	21,733	26,151
Deferred tax assets		1,579	1,324
Restricted bank deposits		20,724	19,520
Deposits	13	11,876	11,186
		<u>552,935</u>	<u>749,149</u>
Current assets			
Inventories		19,060	2,137
Contingent consideration receivables		2,553	–
Finance lease receivables	10	153,913	339,309
Loan receivables	11	82,614	214,212
Trade receivables	12	2,976	–
Other receivables, deposits and prepayments	13	43,903	18,612
Financial assets at fair value through profit or loss		156,052	25,678
Deposit placed with non-bank financial institutions		39,227	90,545
Cash and cash equivalents		132,483	107,033
		<u>632,781</u>	<u>797,526</u>

	<i>NOTES</i>	2020 HK\$'000	2019 HK\$'000
Current liabilities			
Service cost payables, other payables and accruals	<i>14</i>	88,283	28,651
Contract liabilities		–	2,563
Financial liability at fair value through profit or loss		–	15,660
Tax payable		21,105	14,251
Borrowings		458,603	523,654
		<u>567,991</u>	<u>584,779</u>
Net current assets		<u>64,790</u>	<u>212,747</u>
Total assets less current liabilities		<u>617,725</u>	<u>961,896</u>
Capital and reserves			
Share capital	<i>15</i>	168,730	119,192
Reserves		399,333	621,227
Equity attributable to owners of the Company		568,063	740,419
Non-controlling interests		6,555	120,600
Total equity		<u>574,618</u>	<u>861,019</u>
Non-current liabilities			
Deposits received from customers	<i>10</i>	27,100	24,872
Borrowings		14,786	69,633
Deferred tax liabilities		1,221	6,372
		<u>43,107</u>	<u>100,877</u>
		<u>617,725</u>	<u>961,896</u>

Notes:

1. GENERAL INFORMATION

China Ever Grand Financial Leasing Group Co., Ltd. (the “Company”) is a public limited company incorporated in the 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 properties, investment holdings, sale of food additives, sale of medical, health and hygiene products 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 amended HKFRSs – effective at 1 January 2020

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of 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 HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. The Group acquired a set of activities and assets in August 2020 and elected to apply the concentration test to that transaction but the transaction failed the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is a business.

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and Int 5	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
HKFRS17	Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 16	Covid-19 – Related Rent Concession ⁶
Annual Improvements to HKFRSs 2018-2020	

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

⁶ Effective for annual periods beginning on or after 1 June 2020.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group’s accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a ‘General Model’, which is modified for insurance contracts with direct participation features, described as the ‘Variable Fee Approach’. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendments to HKFRS 16 — COVID-19-Related Rent Concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 (“COVID-19”) pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment does not affect lessors.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

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, sale of food additives and sale of medical, health and hygiene products.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Asset management advisory service fee income	4,915	11,063
Finance lease interest income	14,190	29,136
Sale-leaseback transaction interest income	706	13,184
Loan interest income	2,239	13,496
Rental income	3,800	2,253
Sale of food additives	3,526	2,023
Sale of medical, health and hygiene products	36,808	–
	<u>66,184</u>	<u>71,155</u>

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

Revenue from contracts with customers within the scope of HKFRS15

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition:		
At point in time		
Sale of food additives	3,526	2,023
Sale of medical, health and hygiene products	36,808	–
	<u>40,334</u>	2,023
Over time		
Asset management advisory service	4,915	11,063
Total revenue recognised from contracts with customers	<u>45,249</u>	<u>13,086</u>
Revenue from other sources		
Finance lease interest income	14,190	29,136
Sale-leaseback transaction interest income	706	13,184
Loan interest income	2,239	13,496
Rental income	3,800	2,253
	<u>20,935</u>	<u>58,069</u>
	<u>66,184</u>	<u>71,155</u>

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note 12</i>)	2,976	–
Contract liabilities	<u>–</u>	<u>2,563</u>

The contract liabilities of HK\$2,563,000 were mainly related to the service fee income received in advance from customers which were recognised as revenue in the consolidated statement of profit or loss during the year.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”) of the Group, 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”) |
| Investment | – | investment properties in the PRC and Hong Kong, investments in securities and money lending business in Hong Kong |
| Trading | – | sale of medical, health and hygiene products (“Trading Segment”) |
| Others | – | research and development, manufacturing and sale of food additives, new food ingredients and nutritional enhancers in the PRC (“Food Additives Business”) |

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 2020

	Financial leasing HK\$'000	Investment HK\$'000	Trading HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	<u>21,649</u>	<u>4,201</u>	<u>36,808</u>	<u>3,526</u>	<u>66,184</u>
Segment (loss)/profit	<u>(233,989)</u>	<u>12,058</u>	<u>(5,494)</u>	<u>(17,083)</u>	(244,508)
Unallocated other income, gains and losses					34,553
Corporate expenses					(98,288)
Gain on derecognition of a subsidiary					2,742
Other expenses and finance cost					(465)
Impairment loss on interest in an associate upon reclassification to assets classified as held for sale					(30,973)
Share of results of associates					<u>(5,664)</u>
Loss before taxation					<u>(342,603)</u>

For the year ended 31 December 2019

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

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, impairment loss on interest in an associate upon reclassification to assets classified as held for sale, gain on derecognition of a subsidiary, share of results of associates 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 2020

	Financial leasing HK\$'000	Investment HK\$'000	Trading HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	<u>549,226</u>	<u>238,850</u>	<u>88,483</u>	<u>96,924</u>	973,483
Interests in associates					95,111
Unallocated corporate assets					<u>117,122</u>
Consolidated assets					<u>1,185,716</u>
Segment liabilities	<u>534,539</u>	<u>31,741</u>	<u>2,262</u>	<u>624</u>	569,166
Unallocated corporate liabilities					<u>41,932</u>
Consolidated liabilities					<u>611,098</u>

At 31 December 2019

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

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 2020

	Financial leasing HK\$'000	Investment HK\$'000	Trading 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	23	–	–	511	534
Depreciation of property, plant and equipment	698	–	–	3,374	4,072
Write-off of property, plant and equipment	11	–	–	–	11
Change in fair value of equity investments at fair value through profit or loss	7,530	(5,951)	–	–	1,579
Change in fair value of contingent consideration receivables	–	–	2,498	–	2,498
Interest income from loan receivables	(7,782)	(401)	–	–	(8,183)
Finance lease interest income	(14,190)	–	–	–	(14,190)
Sale-leaseback transaction interest income	(706)	–	–	–	(706)
Interest expenses (included in cost of revenue)	39,714	–	40	–	39,754
Write-off of inventories	–	–	2	417	419
Impairment loss on loan receivables	3,380	–	–	–	3,380
Impairment loss on property, plant and equipment	–	–	–	5,089	5,089
Impairment loss on finance lease receivables	102,530	–	–	–	102,530
Impairment loss on a receivable from sale-leaseback transaction	96,896	–	–	–	96,896
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Income tax (credit)/expense	<u>(199)</u>	<u>–</u>	<u>168</u>	<u>–</u>	<u>(31)</u>

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 revenue)	40,289	–	–	40,289
Write-off of inventories	–	–	833	833
Impairment loss on goodwill	9,373	–	–	9,373
Impairment loss on finance lease receivables	32,578	–	–	32,578
Impairment loss on a 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	<u>(1,798)</u>	<u>–</u>	<u>–</u>	<u>(1,798)</u>

Information about major customers

Revenue from customers of the financial leasing segment and trading segment of both years contributing over 10% of total sales of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial leasing segment:		
Customer A	10,939	17,675
Customer B	<u>N/A¹</u>	<u>17,450</u>
Trading segment:		
Customer C	11,198	N/A ¹
Customer D	10,837	N/A ¹
Customer E	<u>7,406</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's financial leasing and food additives business are located in the PRC. Trading division is located in Hong Kong. Investment division comprises of investment properties and leasing business in the PRC and Hong Kong, while its money lending and investment in securities businesses carried out in Hong Kong. Locations are determined according to principal place of operating the businesses. Except for a revenue amount of HK\$38,379,000 that was generated in Hong Kong during the current year (2019: HK\$11,926,000), the remaining amount of HK\$27,805,000 (2019: HK\$59,229,000) was generated in the PRC.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC	217,044	455,570
Hong Kong	<u>142,066</u>	<u>109,968</u>
	<u>359,110</u>	<u>565,538</u>

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

5. OTHER INCOME, GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Interest income from loan receivables	5,944	7,039
Interest income from banks and non-bank financial institutions	395	3,393
Dividend income	969	–
Government grants (<i>note</i>)	926	–
Sundry income	11	68
	<u>8,245</u>	<u>10,500</u>

Note: Included in profit or loss is HK\$926,000 (2019: Nil) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other gains and (losses)		
Change in fair value in financial assets		
at fair value through profit or loss	(2,548)	(5,208)
Change in fair value in financial liability		
at fair value through profit or loss	15,660	11,662
Change in fair value on investment properties	4,091	645
Change in fair value on contingent consideration receivables	(2,498)	–
Write-off of property, plant and equipment	(11)	–
Write-off of inventories	(419)	(833)
Net foreign exchange gain/(loss)	17,784	(523)
Gain on derecognition of a subsidiary	2,742	–
Others	–	(6,326)
	<u>34,801</u>	<u>(583)</u>

6. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax for the current year:		
Hong Kong Profits Tax	168	–
PRC Enterprise Income Tax (“EIT”)	–	1,202
PRC withholding tax	<u>19,584</u>	<u>–</u>
	<u>19,752</u>	<u>1,202</u>
Overprovision in prior year:		
PRC EIT	<u>(35)</u>	<u>–</u>
Deferred tax credit for current year	<u>(5,742)</u>	<u>(3,000)</u>
Taxation for the year	<u><u>13,975</u></u>	<u><u>(1,798)</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

Two-tiered profits tax rate was introduced in 2018 and applies to years of assessment commencing on or after 1 April 2018. Under the regime, the first HK\$2 million of the estimated assessable profits of qualifying corporation will be taxed at 8.25%, and the estimated assessable profits above HK\$2 million will be taxed at 16.5%. The two tiered profits tax rates regime was applicable to the Group for the years ended 31 December 2020 and 2019.

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 interest in an associate.

7. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 HK\$'000
Auditor's remuneration	1,600	1,588
Depreciation of property, plant and equipment	909	2,491
Depreciation of Right-of-use assets	4,482	2,812
	5,391	5,303
Interest expenses (included in cost of revenue)	40,105	40,289
Cost of inventories sold (included in cost of revenue)	38,934	3,545
Interest on lease liabilities	–	5
Write-off of inventories	419	833
Short-term lease expenses	2,302	3,847
Staff costs:		
Directors' and chief executive's emoluments	70,270	14,202
Other staff costs		
– Salaries and other benefits	16,896	18,848
– Discretionary bonus	5,936	904
– Retirement benefits scheme contributions	1,209	1,510
	94,311	35,464

8. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the year attributable to the owners of the Company	<u>(242,933)</u>	<u>(34,132)</u>
	2020 '000	2019 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,509,530</u>	<u>1,191,920</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,509,530</u>	<u>1,191,920</u>

The computation of diluted loss per share for the years ended 31 December 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 purposes of calculating basic and diluted loss per share have been retrospectively adjusted for the effects of share consolidation completed on 26 March 2020.

9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor had any dividend been declared or proposed since the end of the reporting period (2019: Nil).

10. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance lease receivables	311,745	442,780
Less: Provision for impairment losses	<u>(143,700)</u>	<u>(33,558)</u>
	<u>168,045</u>	<u>409,222</u>

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 (2019: 5 years).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current finance lease receivables	14,132	69,913
Current finance lease receivables (<i>note</i>)	<u>153,913</u>	<u>339,309</u>
	<u>168,045</u>	<u>409,222</u>

Note:

As at 31 December 2020, current finance lease receivable amounting to RMB82,000,000 (equivalent to approximately to HK\$97,383,000 relating to a finance lease lessee under a reorganisation process as a result of the application of a reorganisation petition being granted against it by a provincial court.

Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Not later than one year	299,318	421,032	296,900	372,867
Later than one year and not later than two years	15,018	58,208	14,845	55,930
Later than two years and not later than five years	—	14,146	—	13,983
	314,336	493,386	311,745	442,780
Less: unearned finance income	(2,591)	(50,606)	—	—
	311,745	442,780	311,745	442,780
Less: impairment allowance	(143,700)	(33,558)	(143,700)	(33,558)
	168,045	409,222	168,045	409,222

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

As at 31 December 2020, finance lease receivables amounting to HK\$112,228,000 (2019: HK\$308,547,000) 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 2020, the finance lease receivables with carrying amounts of HK\$97,383,000 (2019: HK\$283,379,000) 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 underlying of the finance leases have been re-pledged to secure borrowings of the Group.

Movements in the provision for impairment loss are as follows:

	Lifetime ECL not credit impaired <i>HK\$'000</i>	Lifetime ECL credit impaired <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019	–	1,493	1,493
New financial assets (i)	–	32,578	32,578
Exchange difference	–	(513)	(513)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019 and 1 January 2020	–	33,558	33,558
New financial assets	3,380	–	3,380
Remeasurement of ECL (ii)	–	99,150	99,150
Exchange difference	183	7,429	7,612
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	<u>3,563</u>	<u>140,137</u>	<u>143,700</u>

Note:

- (i) It was caused by an impairment allowance newly provided in relation to a finance lease customer being defaulted during the year.
- (ii) It was caused by a worsening credit-impaired receivable from the finance lease customer being subject to a reorganisation process during the year.

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\$27,100,000 (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. The deposits are non-interest bearing, carried effective interest rate at 4.75% (2019: 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

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Carrying amount of loan receivables based on maturity dates set out in the loan agreements:			
Receivable from a sale-leaseback transaction due within one year (<i>note</i>)	<i>(b)</i>	160,326	151,011
<i>Less:</i> Provision for impairment losses		(108,071)	<u>(5,593)</u>
		<u>52,255</u>	<u>145,418</u>
Other loan receivables			
Within one year			
– Loan A	<i>(a)</i>	25,509	25,509
– Loan B		2,500	–
– Loan C		2,500	–
– Trust products	<i>(c)</i>	32,622	<u>74,181</u>
		63,131	99,690
More than one year but less than two years			
– Trust products	<i>(c)</i>	23,752	<u>26,151</u>
		86,883	125,841
<i>Less:</i>			
Provision for impairment losses		(29,071)	(30,896)
Written off of impairment losses		(5,720)	<u>–</u>
		<u>52,092</u>	<u>94,945</u>
		<u>104,347</u>	<u>240,363</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	82,614	214,212
Within a period of more than one year but not exceeding two years	<u>21,733</u>	<u>26,151</u>
	<u>104,347</u>	<u>240,363</u>

Note:

As at 31 December 2020, current loan receivable amounting to RMB44,000,000 (equivalent to approximately to HK\$52,255,000) was not expected to be settled within 1 year due to a sale-leaseback transaction lessee under a reorganisation process.

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

- (a) During the year ended 31 December 2016, the Group entered into a loan agreement with an individual borrower (the "Borrower") who is an independent third party. The loan of HK\$30,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum, repayable on 3 February 2017 and guaranteed by another individual guarantor (the "Guarantor"). The Borrower and the Guarantor are the directors and substantial shareholders of a listed company in Hong Kong. On 7 February 2017, the Group entered into a loan extension agreement with the Borrower and the Guarantor, pursuant to which half of the loan receivable was repayable on 5 July 2017 and the other half was repayable on 29 December 2017. As at 31 December 2017, the total principal of the loan of HK\$30,000,000, together with any accrued interest, have been past due but not impaired. In March and July 2018, the Borrower made two partial repayments totaling HK\$4,491,000 of the overdue amount. Since then, no repayment was received from the Borrower. The directors assessed that the loan receivable has been past due and credit impaired based on the default history and amount HK\$25,509,000 has fully been impaired based on lifetime ECL, and was recognised to profit or loss for the year ended 2018 and no repayment of principal thereafter.
- (b) During the year ended 31 December 2019, the Group entered into a sale-leaseback transaction agreement with another borrower who is an independent third party. The sale-leaseback transaction of RMB135,000,000 (approximately HK\$160,326,000) were guaranteed by related parties of the borrower and secured by the leased assets with interest bearing at a fixed interest rate of 9% per annum and became default on 8 January 2020. The directors assessed that the sale-leaseback transaction has transferred stage from significant increased in credit risk to credit impaired and an additional impairment loss based on lifetime ECLs of RMB86,000,000 (approximately HK\$96,896,000) (2019: RMB5,000,000 equivalent to approximately HK\$5,678,000) was recognised in consolidated profit or loss during the year.

- (c) As at 31 December 2020, the Group's subsidiary 恆嘉(天津)融資租賃有限公司 (Ever Grand (Tianjin) Finance Lease PRC Co., Ltd., "TJ Ever Grand") provided loans receivables with total principal amount of RMB42,654,000 (equivalent to approximately HK\$50,655,000) (2019: RMB89,694,000, equivalent to approximately HK\$100,332,000) to certain sizeable corporations in the PRC through financial institutions in the PRC. Such loan receivables carried fixed interest rates ranging from 7.1% to 9.2% (2019: 6.5% to 9.2%) per annum with specified date of maturities in March 2021 to June 2022 (2019: January 2020 to May 2021).

Except for a loan receivable relating to a trust product at a principal amount of RMB5,000,000 (or equivalent to approximately HK\$5,938,000) fully impaired by a Group's subsidiary 北京恆嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., "BJ Ever Grand"), as at 31 December 2020, management of the Group assessed that the credit risk of other loan receivables of the same kind held by TJ Ever Grand has not significantly increased from initial recognition.

During the year ended 31 December 2020, the Group received interest income of HK\$5,944,000 (2019: HK\$7,039,000) and recognised as other income in consolidated statement of profit or loss.

- (d) Loan receivables and allowance for impairment losses:

As at 31 December 2020

	12-month ECL HK\$'000	Lifetime ECL not credit impaired HK\$'000	Lifetime ECL credit impaired HK\$'000	Total HK\$'000
Gross amount of loan receivables	55,654	–	191,555	247,209
<i>Less:</i>				
Allowance for impairment losses	(3,562)	–	(133,580)	(137,142)
Write off of impairment losses	–	–	(5,720)	(5,720)
Carrying amount of loan receivables	<u>52,092</u>	<u>–</u>	<u>52,255</u>	<u>104,347</u>

As at 31 December 2019

	12-month ECL <i>HK\$'000</i>	Lifetime ECL not credit impaired <i>HK\$'000</i>	Lifetime ECL credit impaired <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross amount of loan receivables	94,945	151,011	30,896	276,852
Less: allowance for impairment losses	–	(5,593)	(30,896)	(36,489)
Carrying amount of loan receivables	<u>94,945</u>	<u>145,418</u>	<u>–</u>	<u>240,363</u>

(e) Movement of allowances for impairment losses on loan receivables:

	12-month ECL <i>HK\$'000</i>	Lifetime ECL not credit impaired <i>HK\$'000</i>	Lifetime ECL credit impaired <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019	–	–	29,778	29,778
New financial assets (i)	–	5,678	–	5,678
Remeasurement of ECL	–	–	1,211	1,211
Exchange difference	–	(85)	(93)	(178)
Balance at 31 December 2019 and 1 January 2020	–	5,593	30,896	36,489
New financial assets	3,380	–	–	3,380
Transfer of stage (ii)	–	(5,634)	5,634	–
Remeasurement of ECL (ii)	–	–	96,896	96,896
Bad debt allowance written off and transferred out	–	–	(5,720)	(5,720)
Exchange difference	182	41	5,874	6,097
Balance at 31 December 2020	<u>3,562</u>	<u>–</u>	<u>133,580</u>	<u>137,142</u>

Note:

- (i) It was caused by impairment allowance newly provided in relation to a receivable from sale-leaseback transaction during the year.
- (ii) During the year, a receivable from sale-leaseback transaction become defaulted and transferred to credit impaired category accordingly. As at 31 December 2020, given the customer was still defaulted and even further subject to a reorganisation proceedings thereafter, additional impairment allowance was provided.

12. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	3,127	–
<i>Less: allowance for impairment</i>	<u>(151)</u>	<u>–</u>
Trade receivables, net	<u><u>2,976</u></u>	<u><u>–</u></u>

The credit period granted to customers ranged from 0 to 60 days.

As at 31 December 2020 and 2019, the allowance for impairment on trade receivables has been recognised in accordance with the simplified approach, i.e. lifetime ECLs set out in HKFRS 9.

The ageing analysis of the trade receivables (net), based on invoice date, as of the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	1,853	–
31-90 days	872	–
Over 90 days	<u>251</u>	<u>–</u>
	<u><u>2,976</u></u>	<u><u>–</u></u>

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables, deposit and prepayments	55,779	29,798
<i>Less: Amount not receivable within one year shown under non-current assets</i>	<u>(11,876)</u>	<u>(11,186)</u>
	<u><u>43,903</u></u>	<u><u>18,612</u></u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	8,231	10,068
Deposits (<i>note i</i>)	13,433	12,180
Other receivables (<i>note ii</i>)	34,115	7,550
	<u>55,779</u>	<u>29,798</u>

Note

- (i) Deposits mainly represented an amount of HK\$11,876,000 (2019: HK\$11,186,000) 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.
- (ii) Amount of HK\$26,700,000 paid to a supplier for purchase of health and hygiene products. Subsequent to the reporting end, the amount was fully refunded to the Group as the supplier could not make the delivery on the specified time.

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

Movement in the allowance of other receivables and deposits for bad and doubtful debts

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of year	800	800
Impairment loss for the year	<u>—</u>	<u>—</u>
Balance at end of year	<u>800</u>	<u>800</u>

14. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Service cost payables	–	1,041
Accruals	15,889	14,457
Interest payable	34,135	6,212
Value-added tax payables	418	405
Other payables	37,841	6,168
Receipt in advance	–	368
	<u>88,283</u>	<u>28,651</u>

Note: Amount of HK\$31,186,000 owed to the landlord in respect of the acquisition of the Land and Factory in Liaoning Province. All amount was subsequently settled in January 2021.

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

Interest payable represent the unpaid interest expenses for the borrowings.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Over 365 days	<u>–</u>	<u>1,041</u>

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each '000	Number of ordinary shares of HK\$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 (<i>note b</i>)	<u>(40,000,000)</u>	<u>4,000,000</u>	<u>–</u>
At 31 December 2020	<u>–</u>	<u>4,000,000</u>	<u>400,000</u>
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 (<i>note a</i>)	2,383,830	–	23,838
Share consolidation (<i>note b</i>)	(14,303,028)	1,430,303	–
Issued of shares upon acquisition of subsidiary (<i>note c</i>)	<u>–</u>	<u>257,000</u>	<u>25,700</u>
At 31 December 2020	<u>–</u>	<u>1,687,303</u>	<u>168,730</u>

- (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 places at the placing price 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 HK\$0.01 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.
- (c) On 21 August 2020, 257,000,000 shares of HK\$0.1 each in the capital of the Company were issued and allotted to the vendor under the acquisition which 108,000,000 new shares were subjected to the escrow arrangement according to the profit guarantee requirement as indicated in the acquisition agreement. These shares rank pari passu in all respect with other shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$66.2 million in 2020 as compared with HK\$71.2 million in 2019, gross loss of HK\$16.4 million in 2020 as compared with the gross profit of HK\$21.8 million in 2019 and net loss of HK\$356.6 million in 2020 as compared to the net loss of HK\$51.0 million in 2019.

For the year under review, the Financial Leasing Segment has contributed a segment loss of HK\$234.0 million, as compared with a segment loss of HK\$45.8 million in 2019 (definition of segment profit or loss and detailed analysis set out in note 4). The increase in loss is mainly due to the increase in impairment loss on finance lease and loan receivables by HK\$163.3 million and the increase in operating loss by HK\$24.9 million mainly as a result of the net negative interest spread of two financial leasing businesses on recourse basis where the interest cost accrued from the borrowings was greater than the income from the respective defaulted receivables.

The Food Additives Business, classified under others in the segment information, mainly carried out manufacturing and sale of solid sorbitol and compound food additives. It also performed research & development of new products such as Advantame, highly extreme sweeteners and EPS, clinic diagnostic reagent. During the year under review, the segment recorded a net loss of HK\$17.1 million in 2020, up HK\$4.5 million as compared with HK\$12.6 million in 2019. The increase in loss is mainly attributable to an one-off impairment loss on the property, plant and equipment of HK\$5.1 million. The persistent loss was mainly due to the segment operation disrupted and slashed demand caused by the COVID-19 in most of the first half of 2020.

The Investment segment recorded a net profit of HK\$12.1 million in 2020 as compared with the net profit of HK\$0.7 million in 2019. The improved result in 2020 was a net effect of (i) increase in fair value gain on financial asset at FVTPL from a net loss of HK\$7.8 million in 2019 to a net gain of HK\$6.0 million in 2020, (ii) increase in fair value gain on and rental income from investment properties of HK\$5.0 million, further net off with (iii) decrease in loan interest income of HK\$10.1 million from money lending business.

Trading segment includes (i) a newly acquired business in August 2020 which carries out production, wholesale, distribution and trading of daily necessities, including personal care and sanitising products as well as face masks under its own brand or as OEM for other brands and related commercial activities in Hong Kong (the “New Business”) and (ii) sale of medical and health products in Hong Kong that commenced in the first half of 2020. Due to the greater start-up cost incurred in the developing stage of the trading business and fair value loss on the contingent consideration receivable arising from the acquisition of the New Business, the segment recorded a net loss of HK\$5.5 million (2019: nil).

After considering the corporate expenses (2020: HK\$98.3 million; 2019: HK\$35.8 million), share of results of associates (2020: share of net losses of HK\$5.7 million; 2019: share of net profits of HK\$29.4 million), impairment loss on reclassification of interest in an associate as asset held for sales of HK\$31.0 million (2019: nil), certain unallocated other income, gains and losses (2020: gain of HK\$37.3 million; 2019: gain of HK\$12.0 million), finance cost and other expenses, income taxation (2020: expense of HK\$14.0 million; 2019: credit of HK\$1.8 million), the Group recorded a net loss of HK\$356.6 million (2019: net loss of HK\$51.0 million) and a net loss attributable to the owners of the Company of HK\$242.9 million in 2020 (2019: net loss of HK\$34.1 million).

A significant increase in net loss from HK\$51.0 million in 2019 to HK\$356.6 million in 2020 was primarily due to the increase in impairment loss on the finance lease and loan receivables of HK\$163.3 million, the decrease in gross profit of HK\$38.2 million primarily as a result of negative net interest spread from Financial Leasing Segment, an one-off impairment loss and the relevant income tax of HK\$45.0 million upon the reclassification and disposal of remaining 25% equity interest in Rizhao Lanshan, decrease in sharing of the net profits of associates of HK\$35.1 million and increase in staff cost especially the management incentive expenses.

Revenue and gross profit

During the year, the Financial Leasing Segment recorded revenue and gross loss of HK\$21.6 million and HK\$22.0 million (2019: revenue of HK\$56.4 million and gross profit of HK\$10.6 million), representing 33% and 134% of the Group’s revenue and gross loss respectively (2019: 79% and 49% 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, transportation and public utility construction.

During the year, the segment saw a persistent slump on revenue. 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 inhibits the segment from obtaining back-to-back credits from banks to finance the prospective finance lease transactions and resulted in reduction in the number of the conventional finance lease transaction and the service fee income therefrom. The gross loss was incurred primarily because of the negative net interest spread of two financial leasing projects on recourse basis where the interest cost accrued from the borrowings was greater than the income from the respective delinquent receivables. The magnitude of such outnumbered gross profit of the segment and even the Group's and consequently turned them into the gross loss position.

The money lending business and property development (both classified under the Investment segment) recorded revenue and gross profit both at HK\$4.2 million in 2020 (2019: both at HK\$12.7 million in 2019), representing 6% and negative 26% of the Group's revenue and gross loss respectively (2019: 18% and 58% 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, Shanghai and Liaoning in the PRC. The reduction in the segment revenue and gross profit is mainly due to decrease in loan interest as a result of the decrease in provision of loan volume in 2020.

The food additive business recorded revenue of HK\$3.5 million (2019: HK\$2.0 million) and gross loss of HK\$1.8 million in 2020 (2019: HK\$1.5 million). The revenue and cost of sales of the business mainly 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 hampered by the COVID-19 and others, the business still recorded the gross loss in 2020.

The trading segment just commenced and recorded revenue and gross profit of HK\$36.8 million and HK\$3.2 million in 2020 respectively in which HK\$7.0 million and HK\$2.8 million were contributed by the New Business since the acquisition.

The decrease in the Group's revenue was mainly caused by the decrease in revenue of the Financial Leasing Segment, partially offset by the growth in revenue of the trading segment. The turning into the gross loss position was mainly caused by the above-said negative net interest spread from the two financial leasing projects outnumbering the gross profit from other segments.

Other income

The other income of the Group in 2020 mainly comprised of dividend income from equity investment at FVOCI, bank interest income, interest income from trust products and highly liquid wealth management investments issued by the non-bank financial institutions in the PRC and the government subsidies of the employment support scheme launched by the Hong Kong government. The decrease was primarily due to the decrease in interest income from banks and trust products.

Other gains and losses

The other gains and losses in 2020 amounted to net gain of HK\$34.8 million (2019: net loss of HK\$0.6 million), mainly comprising of fair value gain on an unlisted option (classified as financial liability at FVTPL) of HK\$15.7 million (2019: HK\$11.7 million) and foreign exchange gain of HK\$17.8 million (2019: loss of HK\$0.5 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\$94.3 million (2019: HK\$35.5 million), legal and professional, depreciation of property, plant and equipment and various administrative expenses. The increase was primarily due to increase in discretionary management incentive expenses in 2020.

Share of associates' results

The share of results of associates amounted to net loss of HK\$5.7 million as compared with net profit of HK\$29.4 million in 2019. The reasons for such adverse change is twofold. One is the shorter profit sharing period of a profitable associate (i.e. Rizhao Lanshan) from a full year in 2019 to only a half year in 2020. The other reason is the sharing of a significant operating loss due to recognition of impairment losses of loan receivables from a new associate which is engaged in money lending business in Hong Kong.

Income taxation

Income tax expense for the year amounted to HK\$14.0 million (2019: income tax credit of HK\$1.8 million), mainly comprising of the net effect of (i) the income tax expense of HK\$19.6 million relating to the disposal of equity interest in Rizhao Lanshan and (ii) partially offset by the deferred tax credit of HK\$5.6 million from undistributed profits of the same classified as an associate upon the disposal.

FINANCIAL POSITION

The total asset amount of the Group as at 31 December 2020 amounted to HK\$1,185.7 million, representing a decrease of HK\$361.0 million as compared with HK\$1,546.7 million as at 31 December 2019. The decrease in total asset was mainly due to the above-mentioned impairment loss on finance lease and loan receivables and repayment of finance lease receivables from the existing finance lease projects. Likewise but with lesser extent, the Group's total liabilities and borrowings as at 31 December 2020 dropped to HK\$611.1 million and HK\$473.4 million by HK\$74.6 million and HK\$119.9 million from HK\$685.7 million and HK\$593.3 million as at 31 December 2019 respectively. The gearing ratios (measured as total liabilities over total asset) increased from 44.3% as at 31 December 2019 to 51.5% as at 31 December 2020 mainly as a result of the above-mentioned two financial leasing projects on recourse basis where the delinquent receivables were impaired while the corresponding borrowings remained unchanged. The current ratios (measured as total current assets over total current liabilities) decreased from 1.4 as at 31 December 2019 to 1.1 as at 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had cash and cash equivalents, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK\$192.4 (of which HK\$20.7 million was pledged to the banks to secure bank borrowings granted to the Group for financial leasing business (2019: HK\$19.5 million)) as compared to HK\$217.1 million as at 31 December 2019. As at 31 December 2020, the Group had bank and other borrowings amounting to HK\$458.6 million (2019: HK\$523.7 million), HK\$14.8 million (2019: HK\$55.7 million) and nil (2019: HK\$13.9 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, issue of new shares and internally generated cash flows.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2020 and 2019, 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 a sale-leaseback 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 2020, the provision for impairment loss on a finance lease receivable of HK\$143.7 million (as at 31 December 2019: HK\$33.6 million) was related to a finance lease transaction with a principle amount of RMB200.0 million or equivalent to HK\$237.5 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 the deteriorating creditability of the said customer, who has defaulted since 2019, and the guarantor as a result of the application of reorganisation petitions being granted against it and the said customer by a provincial court in June 2020, the provision for impairment loss increased remarkably.

As at 31 December 2020, the provision for impairment loss on a loan receivable from sale-leaseback transaction of HK\$108.1 million was related to a finance lease transaction with Sanya Phoenix International Airport Company Limited (the "Customer") at a principle amount of RMB135.0 million or equivalent to HK\$160.3 million, secured by aviation facilities and other security(ies) initially worth more than the principle amount and guaranteed by HNA Airport Holding (Group) Co., Ltd. The reason for a significant increase in recognition of impairment loss on the loan receivable from the Customer as compared with that of HK\$5.7 million in 2019, because of the worsening credibility of the Customer who defaulted in January 2020 and the recent reorganisation petitions both served against the customer and the guarantor, details of which refer to the Company's announcement dated 11 February 2021.

The key considerations of the calculations of the above-mentioned two provisions at least include the estimated recoverable amount of the securities, empirical loss rate of the relevant industry, estimated time of recovery and other relevant forward-looking factors with the assistance of independent professional valuer as management's adviser.

In response to the two defaulted customers of the recourse business under the reorganisation petitions, the Group has taken/will take a series of actions to protect the Group's assets including but not limited to seeking legal advice and appointment of the relevant PRC legal practitioners to follow up with the legal matters, registering of debt declaration return forms with practitioner to assert the receivable amount, guarantee and securities in due course, continuous communication and participation of meetings with practitioners to understand the current development of the customers, and more importantly, continuous negotiation with the relevant borrowers to amend the deal structure so much so that fully or partially retract the Group from it. With the experienced management and professional team, the Group is capable to manage the credit risk to a controllable level, and therefore takes a view that they will not currently have an adverse impact on the Group's operations.

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 2020, the restricted bank deposits of HK\$20.7 million (as at 31 December 2019: HK\$19.5 million) and the finance lease receivables of HK\$ 97.4 million (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 31 December 2020 and 2019.

CAPITAL COMMITMENTS

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

PROSPECT

2020 is a difficult year for the Group, especially for the Financial Leasing Segment in the PRC. The pandemic has wreaked havoc on almost every sector to a different extent, the aviation and hospitality sectors are one of the hardest hit. Some of the customers of the segment experienced unprecedented operating difficulties and heightened liquidity risk to repay their debts, even though they are a state-owned enterprise or an industry leader. Being engaged in financial industry, the Group's performance succumbed to the headwind and recorded a significant loss mostly from the impairment loss on the receivables of recourse business.

Looking ahead, with the commencement of the use of vaccines for COVID-19, the pandemic is expected to be under control while the global economy is expected to recover steadily in a loose monetary environment and under government financial supports. China was a major economy that has recovered relatively rapidly as a result of effective epidemic containment measures. However, the long term economic prosperity of China may be hindered by the escalating geopolitical tensions and deglobalisation.

As to the Financial Leasing Segment, the segment has been struggling for a business transformation to prosper under the stringent regulatory requirements. To that end, the segment has been exploring and developing a new business model and opportunity such as bundling finance lease transaction with letter of credit issued by banks to customers that would lower their overall finance cost. Exploring and developing new financing varieties other than the conventional way of factoring from banks and peers will also continue to proceed. What's more, the segment has been targeting and exploring business opportunities with customers engaged in domestic consumption related industries and environmental industry, those areas are currently supported by the Chinese government. 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. The segment will closely monitor credit risk of each customer and promptly take recovery actions over delinquent 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 real estate. With the robust risk management and control policies, the Group closely assess its performance and optimize its composition in order to generate a stable income and provide the necessary liquidity to the Group amid volatile financial markets when needed.

As to the Food Additives Business, since full resumption of customers' operation, the segment has almost restored the sale order amounts of solid sorbitol seen in the pre-pandemic time especially in the last quarter of 2020. It is anticipated such momentum will persist. In the meantime, the segment will continue to enhance the production stability, diversify the customer base in different provinces and industries, and optimize the production to cut down on operating costs. The Group will closely assess the segment performance and resume the expansion plan including establishment of the second production line of solid sorbitol and the one of Advantame in due course.

As to the Trading Segment, the Group will diversify the products and broaden the customer base and distribution channels, either physical or virtual, to bolster the business volume. To that end, the segment has been granted a wholesaler licence in proprietary Chinese medicines ("PCMs") and applying for exclusive distributorship of certain PCMs and health products. The recent acquisition of Tripler Holdings Limited ("Tripler"), details of its operation refer to the Company's announcement on 29 July 2020, has brought and will further bring about synergic effect by gaining access to its extensive distribution network of small and medium size dispensaries almost scattered every district of Hong Kong. Further leveraging personal network and expertise of the new management in the industry and the increase in public awareness of hygiene and health during the pandemic, the future demand of pharmaceutical products, health supplement, personal care and other medical 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.

Having faced the enormous challenging environment in China and across the Globe in 2020, the Group is confident to weather any adversity that may lie ahead by the experienced management team, sound risk management and robust internal control. Heading toward the post-pandemic time, the Group is cautiously optimistic about the economic recovery. By leveraging the existing resources and capabilities, the Group will cautiously and diligently look for new potential growth opportunities, undervalued assets and business expansion in order to diversity the income sources and attain a long term growth.

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

At 31 December 2020, the Group held loan receivables (excluding from a loan receivable from sale-leaseback transaction and those from money lending business) of HK\$47.1 million (2019: HK\$95.0 million), equity investments at FVOCI of HK\$123.8 million (2019: HK\$55.5 million) and financial assets at FVTPL of approximately HK\$156.1 million (2019: HK\$25.7 million).

During the year, the Group invested in loan receivables through 1 to 2 years trust products of HK\$45.4 million (2019: HK\$83.8 million) issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK\$5.9 million (2019: HK\$7.0 million) and an impairment loss on loan receivables of HK\$3.4 million (2019: HK\$1.2 million). The equity investment at FVOCI of HK\$123.8 million as at 31 December 2020 (2019: HK\$55.5 million) represented unlisted equity securities issued by the PRC and Hong Kong private entities with operations including property development in shopping malls, software development in the PRC and SFC licensed business activities of type 1, 2, 4, 5 and 9 in Hong Kong. There was a fair value loss of HK\$3.6 million recognised through other comprehensive income in 2020 (2019: nil) and recognition of a gain of HK\$1.0 million upon disposal of an investment in profit or loss in 2020 (2019: nil).

The financial assets at FVTPL of HK\$156.1 million as of 31 December 2020 (2019: HK\$25.7 million) comprised of (i) 7 different listed and unlisted equity fund products in the PRC of HK\$88.0 million (2019: 2 unlisted equity fund products in the PRC of HK\$14.9 million) and (ii) numerous listed equity shares and bonds of HK\$68.1 million in the Hong Kong and the Chinese stock exchanges (2019: HK\$10.8 million). There was a fair value loss of HK\$2.5 million recognised to profit or loss in 2020 (2019: fair value loss of HK\$5.2 million).

On 30 December 2019, the Group entered into a subscription agreement with Simagi Finance Company Limited (“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 with a shared loss of HK\$21.1 million recognised to profit or loss in 2020 due to significant impairment loss on loans since the completion of the subscription took place on 24 January 2020. Details of the subscription in Simagi 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 entered into a subscription agreement with Era Bright Limited (“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 with a shared loss of HK\$0.5 million recognised to profit or loss in 2020 since the completion took place on 17 March 2020.

On 13 July 2020, the Group entered into a subscription agreement with Top Insight Holdings Limited (“Top Insight”), a company incorporated in the British Virgin Islands with limited liability and mainly engaged in property investment and leasing activities in Hong Kong, to subscribe the 350 subscription shares or 35% of the enlarged share capital of Top Insight immediately after the subscription, at the aggregate subscription price of HK\$67,300,000 which was settled in kind by the Group by transferring the entire issued share capital of Jumbo Hall International Limited, a wholly owned subsidiary of the Company to Top Insight. The investment has been accounted for as interest in an associate with a shared loss of HK\$1.8 million recognised to profit or loss in 2020 since the completion took place on 16 July 2020. The Group is entitled to a dividend income receivable of HK\$1.2 million, being a guaranteed return of 4% on the investment cost during the holding period in 2020. Details of the subscription in the Top Insight were disclosed in the announcement of the Company on 13 July 2020.

On 26 August 2020, the Group entered a sale and purchase agreement (the “Disposal Agreement”) regarding a disposal (the “Disposal”) of the remaining 25% equity interest in Rizhao Lanshan Wansheng Harbour Company Limited (the “Rizhao Lanshan”) at a consideration in accordance with the exercise price of the call option that the Group granted pursuant to the call option undertaking dated 15 May 2018. On 23 October 2020, all conditions precedent of the Disposal Agreement were fulfilled and the completion of the Disposal took place on 23 October 2020. The Group recorded a shared profit of HK\$17.7 million from the beginning of the year to the exercise date of the call option (i.e. 30 June 2020) (2019: HK\$29.4 million). References of the Disposal are made to the Company’s announcements dated 23 October 2020. Reference of the grant of call option are also made to the Company’s announcements dated 15 May 2018, the Company’s circular dated 25 June 2018 and the Company’s poll result announcement dated 17 July 2018.

On 12 November 2020, the Group entered into a subscription agreement with the Imagi Brokerage Limited (“Imagi Brokerage”), a company incorporated in Hong Kong and engaged in SFC licensed business of type 1, 2, 4, 5 and 9, to subscribe for 43,000,000 subscription shares at the subscription price of HK\$1.38 per subscription share. The consideration for the subscription is HK\$59,340,000. Upon the completion and as at 31 December 2020, when aggregated with the previous subscription shares, the Group held a total of 55,500,000 shares of the Imagi Brokerage, representing approximately 9.99% of the enlarged share capital of the Imagi Brokerage. The investment has been accounted for as investment held at fair value through other comprehensive income. There has been no significant change in fair value since the acquisitions in 2020. Details of the subscription in the Imagi Brokerage were disclosed in the announcement of the Company on 12 November 2020.

On 27 November 2020, the Group purchased the land use right in the land with total areas of approximately 119,000 sq.m. in Liaoning Province, the PRC and the four factory buildings with a gross floor area of about 40,528.12 sq.m thereon (the “Property”) in the consideration of RMB56,260,000. The acquisition took place on 8 December 2020 when the Property was leased back to the vendor and accounted for as investment property. Details of the acquisition and leaseback arrangement refer to the announcement of the Company on 27 November 2020.

EMPLOYEE AND REMUNERATION

As at 31 December 2020, the Group had approximately 103 (2019: 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 year, the outstanding number of share options as at 31 December 2020 shrunk to 1,983,333 solely due to the completion of the share consolidation of 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.

EVENTS AFTER THE REPORTING PERIOD

On 12 January 2021, the Group entered into a loan agreement with an individual, pursuant to which the Group provided a loan in the principal amount of HK\$56,000,000 for 12 months, interest bearing at a fixed interest rate of 10% per annum, secured by the entire equity interest of a company majority owned by the individual.

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 new shares under general mandate and change in use of proceeds from the placing (collectively refer as to “Announcements”) and the 2020 interim report dated 26 August 2020. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

Intended 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.
- (2) The remaining proceeds of HK\$6.2 million will serve as general working capital of the Group.
- (3) The re-allocated HK\$15.0 million will be for purchasing of the medical, health and hygiene products for trading purpose.

Actual and update on use of proceeds

- (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 office; (ii) an amount of HK\$6.3 million was fully utilized as working capital of the Food Additives Business.
- (2) An amount of HK\$6.2 million was fully utilised as general working capital of the Group.
- (3) An amount of HK\$15.0 million was fully utilised as payment for purchasing the medical, health and hygiene products for trading purpose.

RESULT OF PROFIT GUARANTEES AFTER ACQUISITION

Reference is made to the Company's announcements on 29 July 2020 and 21 August 2020 in relation to acquisition of the entire issued shares in Tripler involving issue of consideration shares under general mandate. According to an unaudited management account of Tripler for the year ended 31 December 2020, the profit guarantee of not less than HK\$6 million for the same period is met. However, the actual financial results of Tripler for the same is still subject to potential adjustments and finalisation of company level audit account of Triple by the Company's auditor and therefore the actual result of profit guarantee may be different.

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 8 June 2021 to 11 June 2021 (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., 7 June 2021.

CORPORATE GOVERNANCE PRACTICE

During the financial year ended 31 December 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 year ended 31 December 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 consolidated financial statements for the year ended 31 December 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, 24 March 2021

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