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## 2021 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 2021 and the comparative figures for the year ended 31 December 2020 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	4	123,630	66,184
Cost of revenue		(127,439)	(82,552)
Gross losses		(3,809)	(16,368)
Other income	6	3,391	8,245
Other gains and losses	6	(12,474)	34,801
Administrative expenses		(65,955)	(123,697)
Reversal of impairment/(impairment) loss on:			
– Finance lease receivables	11	(1,208)	(102,530)
– Receivable from sales-leaseback transaction	12	8,455	(96,896)
– Loan receivables	12	1,208	(3,380)
– Trade receivables		(601)	–
– Other receivables	14	(8,817)	–
– 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		21,342	(5,664)
Other expenses		(21)	(661)
Finance costs		(87)	(391)
Loss before taxation		(58,576)	(342,603)
Income tax expense	7	(4,132)	(13,975)
Loss for the year	8	<u>(62,708)</u>	<u>(356,578)</u>

		<b>2021</b>	2020
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		<b>(40,619)</b>	(242,933)
Non-controlling interests		<b>(22,089)</b>	(113,645)
		<b><u>(62,708)</u></b>	<b><u>(356,578)</u></b>
		<b>2021</b>	2020
Loss per share ( <i>HK cents</i> )			
Basic	<i>9</i>	<b><u>(2.41)</u></b>	<b><u>(16.09)</u></b>
Diluted		<b><u>(2.41)</u></b>	<b><u>(16.09)</u></b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(62,708)</u>	<u>(356,578)</u>
<b>Other comprehensive income/(expense)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange difference arising on translation to presentation currency	6,966	3,417
Fair value changes on equity investment at fair value through other comprehensive income	(18,698)	(3,563)
Share of other comprehensive income of associates	<u>(4)</u>	<u>(16)</u>
Other comprehensive expense for the year, net of income tax	<u>(11,736)</u>	<u>(162)</u>
Total comprehensive expense for the year	<u><u>(74,444)</u></u>	<u><u>(356,740)</u></u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(52,352)	(242,695)
Non-controlling interests	<u>(22,092)</u>	<u>(114,045)</u>
	<u><u>(74,444)</u></u>	<u><u>(356,740)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>88,520</b>	90,112
Prepayment for acquisition of property, plant and equipment		<b>17,847</b>	–
Investment properties		<b>142,369</b>	148,331
Goodwill		<b>25,556</b>	25,556
Interests in associates		<b>99,608</b>	95,111
Equity investments at fair value through other comprehensive income		<b>108,762</b>	123,781
Finance lease receivables	<i>11</i>	<b>30,580</b>	14,132
Loan receivables	<i>12</i>	<b>61,030</b>	21,733
Deferred tax assets		–	1,579
Restricted bank deposits		<b>18,404</b>	20,724
Deposits	<i>14</i>	–	11,876
		<b>592,676</b>	552,935
<b>Current assets</b>			
Inventories		<b>16,778</b>	19,060
Contingent consideration receivables		–	2,553
Finance lease receivables	<i>11</i>	<b>122,782</b>	153,913
Loan receivables	<i>12</i>	<b>97,539</b>	82,614
Trade receivables	<i>13</i>	<b>13,634</b>	2,976
Other receivables, deposits and prepayments	<i>14</i>	<b>54,121</b>	43,903
Financial assets at fair value through profit or loss		<b>147,069</b>	156,052
Deposit placed with non-bank financial institutions		<b>13,599</b>	39,227
Cash and cash equivalents		<b>23,299</b>	132,483
		<b>488,821</b>	632,781

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>			
Service cost payables, other payables and accruals	<i>15</i>	<b>89,687</b>	88,283
Deposits received from customers	<i>11</i>	<b>12,268</b>	–
Tax payable		<b>21,586</b>	21,105
Borrowings		<b>423,691</b>	458,603
		<u><b>547,232</b></u>	<u>567,991</u>
<b>Net current (liabilities)/assets</b>		<u><b>(58,411)</b></u>	<u>64,790</u>
<b>Total assets less current liabilities</b>		<u><b>534,265</b></u>	<u>617,725</u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>168,730</b>	168,730
Reserves		<b>346,981</b>	399,333
Equity attributable to owners of the Company		<b>515,711</b>	568,063
Non-controlling interests		<b>35</b>	6,555
<b>Total equity</b>		<u><b>515,746</b></u>	<u>574,618</u>
<b>Non-current liabilities</b>			
Deposits received from customers	<i>11</i>	<b>16,478</b>	27,100
Borrowings		–	14,786
Deferred tax liabilities		<b>2,041</b>	1,221
		<u><b>18,519</b></u>	<u>43,107</u>
		<u><b>534,265</b></u>	<u>617,725</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 NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Adoption of new or revised HKFRSs – effective at 1 January 2021**

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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

**(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 consolidated 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	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 1 and IFRS Practice Statement 2	Disclosure of accounting <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021 <sup>1</sup>
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1 – First-time Adoption of IFRS; Amendments to IFRS 9 – Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 – Agriculture <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of fulfilling a Contract <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> 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.

***Amendments to HKAS 1***

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.

### ***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

Amendments to HKAS 12 require entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

The directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible effect of these new or revised standards on the Group's results and financial position in the first year of application. Except for those mentioned above, these amendments are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

### **3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period.

The Group incurred a loss of approximately HK\$62,708,000 (2020: HK\$356,578,000) for the year ended 31 December 2021 and had net current liabilities of approximately HK\$58,411,000 (2020: net current assets of approximately HK\$64,790,000) as of that date. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and, therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the management of the Company have prepared a cash flow forecast covering a period of eighteen months from the end of reporting period with careful consideration to the future performance and liquidity of the Group and have taken account of the following:

- (i) A debtor of the Group served a letter on 1 March 2022 and confirmed to make an early repayment of a loan receivable amounting to HK\$56,000,000 by 1 July 2022;
- (ii) Proceeds from planned disposal of financial assets at fair value at profit or loss on the assumption that a substantial discount is taken; and



- (iii) The loan contract with RMB200,000,000 was related to a finance lease arrangement and its terms and amount of loan proceeds were back-to-back with those of the finance lease agreement with a lessee. The payable is still in an appeal process initiated by the counterparty of the loan, which is detailed in “Contingent Liabilities” and the management considered it will not be fully settled within next 12 months from the date of this announcement.

The Directors have reviewed the Group’s cash flow forecast prepared by management and are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due for at least the next twelve months from 31 December 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the financial statements.

#### 4. REVENUE

Revenue represents finance lease interest income generated from finance leasing and sale-leaseback transactions, service fee income from advisory services provided to outsiders, loan interest income from provision of loan facilities, rental income from leasing out properties, sale of food additives, sale of medical and health products and sale of daily necessities and hygiene products.

	<b>2021</b>	2020
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
Asset management advisory service fee income	<b>370</b>	4,915
Finance lease interest income	<b>2,844</b>	14,190
Loan interest income	<b>5,469</b>	2,239
Rental income	<b>5,713</b>	3,800
Sale of food additives	<b>5,732</b>	3,526
Sale of medical and health products	<b>71,669</b>	6,961
Sale of daily necessities and hygiene products	<b>31,833</b>	29,847
Sale-leaseback transaction interest income	<b>—</b>	706
	<b><u>123,630</u></b>	<u>66,184</u>

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

**Revenue from contracts with customers within the scope of HKFRS15**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Timing of revenue recognition:		
At point in time		
Sale of food additives	<b>5,732</b>	3,526
Sale of medical and health products	<b>71,669</b>	6,961
Sale of daily necessities and hygiene products	<b>31,833</b>	29,847
	<b>109,234</b>	40,334
Over time		
Asset management advisory service	<b>370</b>	4,915
Total revenue recognised from contracts with customers	<b>109,604</b>	45,249
Revenue from other sources		
Finance lease interest income	<b>2,844</b>	14,190
Sale-leaseback transaction interest income	–	706
Loan interest income	<b>5,469</b>	2,239
Rental income	<b>5,713</b>	3,800
	<b>14,026</b>	20,935
	<b>123,630</b>	66,184

The following table provides information about trade receivables from contracts with customers.

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade receivables ( <i>note 13</i> )	<b>13,634</b>	2,976

## 5. 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 PRC and Hong Kong, investments in securities and money lending business in Hong Kong
Trading	–	sales of medical, health, hygiene products and daily necessities (“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 2021*

	<b>Financial leasing HK\$’000</b>	<b>Investment HK\$’000</b>	<b>Trading HK\$’000</b>	<b>Others HK\$’000</b>	<b>Total HK\$’000</b>
<b>Revenue</b>					
External sales	<u>3,214</u>	<u>11,182</u>	<u>103,502</u>	<u>5,732</u>	<u>123,630</u>
Segment (loss)/profit	<u>(42,154)</u>	<u>2,467</u>	<u>6,551</u>	<u>(11,628)</u>	(44,764)
Unallocated other income, gains and losses					(1,219)
Corporate expenses					(33,786)
Other expenses and finance cost					(149)
Share of results of associates					<u>21,342</u>
Loss before taxation					<u>(58,576)</u>

For the year ended 31 December 2020

	Financial leasing HK\$'000	Investment HK\$'000	Trading HK\$'000	Others HK\$'000	Total HK\$'000
<b>Revenue</b>					
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>(2,996)</u>	<u>(17,083)</u>	(242,010)
Unallocated other income, gains and losses					34,797
Corporate expenses					(98,288)
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 result of associates					<u>(5,664)</u>
Loss before taxation					<u>(342,603)</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 (including change in fair value on contingent consideration receivables, gain or loss on deemed disposal/derecognition of an associate/a subsidiary), impairment loss on interest in an associate upon reclassification to assets classified as held for sale, 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 2021*

	<b>Financial leasing HK\$'000</b>	<b>Investment HK\$'000</b>	<b>Trading HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
Segment assets	<u>505,604</u>	<u>295,080</u>	<u>76,484</u>	<u>62,034</u>	939,202
Interests in associates					99,608
Unallocated corporate assets					<u>42,687</u>
Consolidated assets					<u>1,081,497</u>
Segment liabilities	<u>519,541</u>	<u>556</u>	<u>1,857</u>	<u>3,780</u>	525,734
Unallocated corporate liabilities					<u>40,017</u>
Consolidated liabilities					<u>565,751</u>

At 31 December 2020

	Financial leasing <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

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 and deferred tax liabilities.

## Other segment information

*For the year ended 31 December 2021*

	Financial leasing <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts charged/(credited) in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	726	–	–	909	1,635
Depreciation of property, plant and equipment	757	–	–	3,104	3,861
Prepayment for acquisition of property, plant and equipment	17,847	–	–	–	17,847
Change in fair value of equity investments at fair value through profit or loss	5,706	(5,723)	–	–	(17)
Change in fair value on investment properties	–	9,493	–	1,208	10,701
Interest income from loan receivables	(3,099)	(5,469)	–	–	(8,568)
Finance lease interest income	(2,844)	–	–	–	(2,844)
Interest expenses (included in cost of revenue)	31,317	–	87	–	31,404
Written-off of inventories	–	–	–	725	725
Reversal of impairment loss on receivable from sales-leaseback transaction	(8,455)	–	–	–	(8,455)
Reversal of impairment loss on loan receivables	(1,208)	–	–	–	(1,208)
Impairment loss on finance lease receivables	1,208	–	–	–	1,208
Impairment loss on other receivables	8,817	–	–	–	8,817
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Income tax expense/(credit)	<u>3,288</u>	<u>(255)</u>	<u>1,099</u>	<u>–</u>	<u>4,132</u>

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 and investment properties	23	64,133	–	511	64,667
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
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
Written-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 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>



### 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial leasing segment:		
Customer A	—	10,939
Trading segment:		
Customer B	—	11,198
Customer C	—	10,837
Customer D	—	7,406
Customer E	48,252	—
Customer F	21,942	—

### 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 are carried out in Hong Kong. Investment and trading division is located in Hong Kong. Locations are determined according to principal place of operating the businesses. Except for a revenue amount of HK\$108,971,000 that was generated in Hong Kong during the current year (2020: HK\$38,379,000), the remaining amount of HK\$14,659,000 (2020: HK\$27,805,000) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	210,802	217,044
Hong Kong	145,251	142,066
	<u>356,053</u>	<u>359,110</u>

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

## 6. OTHER INCOME, GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Interest income from other loan receivables	3,099	5,944
Interest income from banks and non-bank financial institutions	264	395
Dividend income	–	969
Government grants ( <i>note</i> )	–	926
Sundry income	28	11
	<u>3,391</u>	<u>8,245</u>

*Note:* The amount represented 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other gains and (losses)</b>		
Change in fair value in financial assets at fair value through profit or loss	17	(2,548)
Change in fair value in financial liability at fair value through profit or loss	–	15,660
Change in fair value on contingent consideration receivables	(2,553)	(2,498)
Change in fair value on investment properties	(10,701)	4,091
Gain on derecognition of a subsidiary	–	2,742
Gain on deemed disposal of an associate	1,151	–
Net foreign exchange gains	179	17,784
Write-off of property, plant and equipment	–	(11)
Write-off of inventories	(725)	(419)
Others	158	–
	<u>(12,474)</u>	<u>34,801</u>

## 7. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax for the current year:</b>		
Hong Kong Profits Tax	1,099	168
PRC withholding tax	<u>–</u>	<u>19,584</u>
	<u>1,099</u>	<u>19,752</u>
Under/(Over) provision in prior year:		
PRC EIT	<u>453</u>	<u>(35)</u>
Deferred tax charge/(credit) for current year	<u>2,580</u>	<u>(5,742)</u>
Taxation for the year	<u><u>4,132</u></u>	<u><u>13,975</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 2021 and 2020.

Enterprise Income Tax (“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.

## 8. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,500	1,600
Depreciation of property, plant and equipment	385	909
Depreciation of right-of-use assets	4,790	4,482
	<b>5,175</b>	<b>5,391</b>
Interest expenses (included in cost of revenue)	31,404	40,105
Cost of inventories sold (included in cost of revenue)	96,736	38,934
Write-off of inventories	725	419
Short-term lease expenses	2,726	2,302
Staff costs:		
Directors' and chief executive's emoluments	15,902	70,270
Other staff costs		
– Salaries and other benefits	20,107	16,896
– Discretionary bonus	2,144	5,936
– Retirement benefits scheme contributions	1,955	1,209
	<b>40,108</b>	<b>94,311</b>

## 9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to the owners of the Company	<u>(40,619)</u>	<u>(242,933)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,687,303</u>	<u>1,509,530</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,687,303</u>	<u>1,509,530</u>

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 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 for the year ended 31 December 2020 have been retrospectively adjusted for the effects of share consolidation completed on 26 March 2020.

## 10. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor had any dividend been declared or proposed since the end of the reporting period (2020: Nil).

## 11. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance lease receivables	303,044	311,745
Less: Provision for impairment losses	<u>(149,682)</u>	<u>(143,700)</u>
	<u><b>153,362</b></u>	<u><b>168,045</b></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 3 years (2020: 5 years).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current finance lease receivables	30,580	14,132
Current finance lease receivables ( <i>note</i> )	<u>122,782</u>	<u>153,913</u>
	<u><b>153,362</b></u>	<u><b>168,045</b></u>

### Note:

As at 31 December 2021, current finance lease receivable amounting to RMB82,000,000 (equivalent to approximately to HK\$100,606,000) relates to a finance lease lessee under a reorganisation process, a provisional restructuring plan of which had been approved by its creditors and a provincial court but still subject to selections of different compensation schemes by some common creditors before execution.

## Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	273,806	299,318	268,783	296,900
Later than one year and not later than two years	31,219	15,018	28,200	14,845
Later than two years and not later than five years	6,402	–	6,061	–
	311,427	314,336	303,044	311,745
<i>Less: unearned finance income</i>	(8,383)	(2,591)	–	–
	303,044	311,745	303,044	311,745
<i>Less: impairment allowance</i>	(149,682)	(143,700)	(149,682)	(143,700)
	<u>153,362</u>	<u>168,045</u>	<u>153,362</u>	<u>168,045</u>

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2021 range from 4.75% to 11.00% (2020: 4.28% to 5.50%) per annum.

As at 31 December 2021, finance lease receivables amounting to HK\$144,774,000 (2020: HK\$112,228,000) 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 2021, the finance lease receivables with carrying amounts of HK\$100,606,000 (2020: HK\$97,383,000) 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 the assets underlying the finance leases have been re-pledged to secure borrowings of the Group.

Movements in the provision for impairment loss are as follows:

	<b>12-month ECL HK\$'000</b>	<b>Lifetime ECL not credit impaired HK\$'000</b>	<b>Lifetime ECL credit impaired HK\$'000</b>	<b>Total HK\$'000</b>
Balance at 1 January 2020	–	–	33,558	33,558
New financial assets	–	3,380	–	3,380
Remeasurement of ECL (i)	–	–	99,150	99,150
Exchange difference	–	183	7,429	7,612
	<u>–</u>	<u>183</u>	<u>7,429</u>	<u>7,612</u>
Balance at 31 December 2020 and 1 January 2021	–	3,563	140,137	143,700
New financial assets originated	4,831	–	–	4,831
Remeasurement of ECL	–	(3,623)	–	(3,623)
Exchange difference	77	60	4,637	4,774
	<u>77</u>	<u>60</u>	<u>4,637</u>	<u>4,774</u>
Balance at 31 December 2021	<u>4,908</u>	<u>–</u>	<u>144,774</u>	<u>149,682</u>

*Note:*

- (i) 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\$28,746,000 (2020: HK\$27,100,000) 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% (2020: 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.



## 12. LOAN RECEIVABLES

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
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>	<b>165,631</b>	160,326
Less: Provision for impairment losses		<b>(103,059)</b>	(108,071)
		<b>62,572</b>	52,255
Other loan receivables			
Due within one year			
– Loan A	<i>(a)</i>	–	25,509
– Loan B		–	2,500
– Loan C		–	2,500
– Trust loans	<i>(c)</i>	<b>36,807</b>	26,902
		<b>36,807</b>	57,411
Due more than one year but less than two years			
– Trust loans	<i>(c)</i>	<b>5,644</b>	23,752
– Loan D	<i>(d)</i>	<b>56,000</b>	–
		<b>61,644</b>	23,752
		<b>98,451</b>	81,163
Less: Provision for impairment losses		<b>(2,454)</b>	(29,071)
		<b>95,997</b>	52,092
		<b>158,569</b>	104,347
		<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Within one year		<b>97,539</b>	82,614
Within a period of more than one year but not exceeding two years		<b>61,030</b>	21,733
		<b>158,569</b>	104,347

### *Note:*

As at 31 December 2021, current loan receivable amounting to RMB51,000,000 (equivalent to approximately to HK\$62,572,000) relates to a sale-leaseback transaction lessee under a reorganization process, a final restructuring plan of which had been approved by its creditors and a provincial court and was in process of execution.

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. 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 of HK\$25,509,000 has fully been impaired based on lifetime ECL, and was recognised in profit or loss for the year ended 2018 and no repayment of principal thereafter. During the year ended 31 December 2021, the Board is of the view that there was no realistic prospect of recovery after considering, amongst others, declaration of bankruptcy by the guarantor and the length of past due and no further repayment since the last one even after legal and out-of-court negotiation activities taken during the period. As such, a fully impaired amount of HK\$25,509,000 was written off.
- (b) During the year ended 31 December 2019, the Group entered into a sale-leaseback transaction agreement with a borrower who is an independent third party. The loan under the sale-leaseback transaction with gross carrying amount of RMB135,000,000 (approximately HK\$165,631,000) (2020: RMB135,000,000 equivalently to 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 credit risk of the sale-leaseback transaction and a reversal of impairment loss on lifetime ECLs of RMB7,000,000 (approximately HK\$8,454,600) (2020: additional impairment loss of RMB86,000,000 equivalent to approximately HK\$96,896,000) was recognised in profit or loss during the year.
- (c) As at 31 December 2021, the Group's subsidiary, 恒嘉(天津)融資租賃有限公司 (Ever Grand (Tianjin) Finance Lease PRC Co., Ltd., "TJ Ever Grand") has provided loan receivables with total principal amount of RMB34,600,000 (equivalent to approximately HK\$42,451,000) (2020: RMB42,654,000 equivalent to approximately HK\$50,654,000) to certain sizeable corporations in the PRC through financial institutions in the PRC. Such loan receivables carried fixed interest rates ranging from 5.2% to 8.2% (2020: 7.1% to 9.2%) per annum with specified date of maturities in June 2022 to June 2024 (2020: in March 2021 to June 2022).

As at 31 December 2020, a loan receivable granted by a Group's subsidiary 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., "BJ Ever Grand") relating to a trust product with a principal amount of RMB5,000,000 (or equivalent to approximately HK\$5,720,000) was fully impaired and written off by a Group's subsidiary 北京恒嘉國際融資租賃有限公司. As at 31 December 2021, the management of the Group assessed that the credit risk of other loan receivables except for aforesaid mentioned had not significantly increased from initial recognition.

During the year ended 31 December 2021, the Group received interest income of HK\$3,099,000 (2020: HK\$5,944,000) and recognised as other income in consolidated statement of profit or loss.

- (d) On 12 January 2021, the Group's subsidiary, TF Advances Limited entered into a loan agreement with an individual borrower (the "Borrower") who is an independent third party. The loan of HK\$56,000,000 is secured by share charge deed and charging of shares of Newgate International Limited, a private company incorporated in Hong Kong. The interest bearing at a fixed interest rate of 10% per annum, repayable on 12 January 2022. On 30 December 2021, the Group entered into a loan extension agreement with the Borrower, pursuant to which the Group agreed to extend the repayment date by 12 months to 11 January 2023.

A debtor of the Group served a letter on 1 March 2022 and confirmed to make an early repayment of a loan receivable amounting to HK\$56,000,000 by 1 July 2022.

Loan receivables and allowance for impairment losses:

***As at 31 December 2021***

	<b>12-month ECL HK\$'000</b>	<b>Lifetime ECL not credit impaired HK\$'000</b>	<b>Lifetime ECL credit impaired HK\$'000</b>	<b>Total HK\$'000</b>
Gross amount of loan receivables	98,451	–	165,631	264,082
Less: Allowance for impairment losses	<u>(2,454)</u>	<u>–</u>	<u>(103,059)</u>	<u>(105,513)</u>
Carrying amount of loan receivables	<u><b>95,997</b></u>	<u><b>–</b></u>	<u><b>62,572</b></u>	<u><b>158,569</b></u>

***As at 31 December 2020***

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

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

	<b>12-month ECL HK\$'000</b>	<b>Lifetime ECL not credit impaired HK\$'000</b>	<b>Lifetime ECL credit impaired HK\$'000</b>	<b>Total HK\$'000</b>
Balance at 1 January 2020	–	5,593	30,896	36,489
New financial assets	3,380	–	–	3,380
Transfer of stage	–	(5,634)	5,634	–
Remeasurement of ECL (i)	–	–	96,896	96,896
Bad debt allowance written off and transferred out	–	–	(5,720)	(5,720)
Exchange difference	182	41	5,874	6,097
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 December 2020 and 1 January 2021	3,562	–	133,580	137,142
Remeasurement of ECL	(1,208)	–	(8,455)	(9,663)
Bad debt allowance written off and transferred out ( <i>note 12(a)</i> )	–	–	(25,509)	(25,509)
Exchange difference	100	–	3,443	3,543
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 December 2021	<u>2,454</u>	<u>–</u>	<u>103,059</u>	<u>105,513</u>

*Note:*

- (i) During the year ended 31 December 2020, given that a receivable from sale-leaseback transaction remained defaulted and even subject to a reorganization proceeding, an additional impairment allowance was provided.

### 13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	14,386	3,127
<i>Less: allowance for impairment</i>	<u>(752)</u>	<u>(151)</u>
Trade receivables, net	<u><b>13,634</b></u>	<u><b>2,976</b></u>

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

As at 31 December 2021 and 2020, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	13,271	1,853
31–90 days	302	872
Over 90 days	<u>61</u>	<u>251</u>
	<u><b>13,634</b></u>	<u><b>2,976</b></u>

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other receivables, deposit and prepayments	54,121	55,779
<i>Less: Amount not receivable within one year shown under non-current assets</i>	<u>–</u>	<u>(11,876)</u>
	<u><b>54,121</b></u>	<u><b>43,903</b></u>

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Prepayments	<b>9,245</b>	8,231
Prepayments for purchases of goods ( <i>note iii</i> )	<b>17,412</b>	–
Deposits ( <i>note i</i> )	<b>13,236</b>	13,433
Other receivables ( <i>note ii</i> )	<b>14,228</b>	34,115
	<b>54,121</b>	55,779

*Note:*

- (i) Deposits mainly represented an amount of HK\$12,269,000 (2020: HK\$11,876,000) 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. As at 31 December 2020, such deposit were classified as a non-current asset as the underlying finance lease has a term of over 1 year from the end of the reporting period. The remaining amounts of deposits represented deposits paid to third parties in the ordinary course of business.
- (ii) As at 31 December 2021, the amount mainly represented an amount due from an individual third party of RMB6,700,000 (equivalent to approximately to HK\$8,200,000). Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period.
- (iii) Due to the shortage of the supply, the supplier was unable to deliver the goods. The Group received refund amounted to HK\$6,700,000 and the supplier delivered other goods amounted to HK\$5,289,000 up to the date of this announcement. The remaining balance will be settled/offset either in cash or by subsequent purchases of other goods.

#### **Movement of allowance for other receivables and deposits**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of year	<b>800</b>	800
Written off and transferred out	<b>(800)</b>	–
Impairment loss for the year	<b>8,817</b>	–
	<b>8,817</b>	800

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accruals	14,645	15,889
Interest payable (i)	63,799	34,135
Value-added tax payables	–	418
Other payables	7,116	37,841
Receipt in advance	4,127	–
	<u>89,687</u>	<u>88,283</u>

*Note:*

- (i) As at 31 December 2021 and 2020, the balances mainly represented accrued interest cost of two back-to-back borrowings in which the leveraged finance lease transactions were defaulted.

## 16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each '000	Number of ordinary shares of HK\$0.1 each '000	Nominal value <i>HK\$'000</i>
Authorised:			
At 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 and 2021	<u>–</u>	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid:			
At 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	–
Issue of shares upon acquisition of a subsidiary ( <i>note c</i> )	<u>–</u>	<u>257,000</u>	<u>25,700</u>
At 31 December 2020 and 2021	<u>–</u>	<u>1,687,303</u>	<u>168,730</u>

- (a) Pursuant to the placing agreement 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 HK\$0.014 per share. The placing of entire number of 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\$123.6 million in the year ended 31 December 2021 (“2021”) as compared to that of HK\$66.2 million in the year ended 31 December 2020 (“2020”). The Group recorded a gross loss of HK\$3.8 million in 2021 as compared to the gross loss of HK\$16.4 million in 2020 and net loss of HK\$62.7 million in 2021 as compared to the net loss of HK\$356.6 million in 2020.

For the year under review, the financial leasing segment of the Group (the “Financial Leasing Segment”) has contributed a segment loss of HK\$42.2 million, as compared to a segment loss of HK\$234.0 million in 2020. For the definition of segment profit or loss and detailed analysis, please refer to note 5 in the consolidated financial statements of the Group for 2021. The decrease in loss is mainly due to the decrease in impairment loss on finance lease and loan receivables in 2021.

During 2021, the Group operated the business of manufacturing and sale of solid sorbitol and compound food additives in its food additives business (the “Food Additives Segment”). The Group also engaged in research and 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\$11.6 million in 2021, representing a decrease of HK\$5.5 million from a net loss of HK\$17.1 million in 2020. The decrease in loss is mainly attributable to absence of an one-off impairment loss on the property, plant and equipment of HK\$5.1 million recorded in 2020.

The investment segment of the Group (the “Investment Segment”) recorded a net profit of HK\$2.5 million in 2021 as compared to a net profit of HK\$12.1 million in 2020. With rental income of HK\$5.7 million (2020: HK\$3.8 million) from investment properties in the PRC and loan interest income from provision of loan facilities in Hong Kong of HK\$5.5 million (2020: HK\$0.4 million), the decrease in net profit was mainly due to an adverse change of fair value in investment properties by HK\$14.8 million, as a result of a change from a gain of HK\$4.1 million in 2020 to a loss of HK\$10.7 million in 2021.

During the year under review, the Group engaged in trading business. The trading segment of the Group includes (i) a recently 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 original equipment manufacturer (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 a full year of consolidation of profit contribution from the New Business in 2021 as compared with only four months in 2020, the trading segment recorded a net profit of HK\$6.6 million (2020: net loss of HK\$3.0 million).



After taking into account of the corporate and other expenses and finance cost of HK\$33.9 million in 2021 (2020: HK\$98.8 million), a net profit arising from share of results of associates in 2021 of HK\$21.3 million (2020: net losses of HK\$5.7 million), certain unallocated other income, gains and losses (2021: loss of HK\$1.2 million; 2020: gain of HK\$34.8 million), income taxation expense of HK\$4.1 million in 2021 (2020: HK\$14.0 million), absence of a prior-year impairment loss on reclassification of interest in an associate as asset held for sales of HK\$31.0 million, the Group recorded a net loss of HK\$62.7 million (2020: net loss of HK\$356.6 million) and a net loss attributable to the owners of the Company of HK\$40.6 million in 2021 (2020: net loss of HK\$242.9 million).

A significant decrease in net loss from HK\$356.6 million in 2020 to HK\$62.7 million in 2021 was primarily due to the decrease in impairment loss on the finance lease and loan receivables of HK\$211.3 million and the decrease in staff cost, in particular, on management incentive expenses.

### **Revenue and gross profit**

During the year, the Financial Leasing Segment recorded revenue and gross loss of HK\$3.2 million and HK\$27.5 million respectively (2020: revenue of HK\$21.6 million and gross loss of HK\$22.0 million), representing a decrease of 85% in revenue and an increase of 25% in gross loss as compared to the previous year. 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, property management and education sectors.

During the year, the segment revenue continued to shrink as a result of lack of completed conventional finance lease transactions and the service fee income therefrom under an unfavorable operating environment in the People's Republic of China (the "PRC"). Against the backdrop of the stringent regulatory oversight of the finance lease industry and its resulting difficulties to source back-to-back credit from banks to leverage prospective transactions, the Group has cautiously applied its own capital to finance the business in this segment and thus reduced the business volume. 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 defaulted receivables. The magnitude of such outnumbered the gross profit of the segment and even the Group's and consequently turned them into a gross loss position.

Under the Investment Segment, the money lending business and property development recorded revenue and gross profit both at HK\$11.2 million in 2021 (2020: both at HK\$4.2 million), representing an increase of 167% and 167% from those of 2020, respectively.

The revenue in this segment represents loan interest income from the provision of loan facilities carried out by a licensed subsidiary of the Company in Hong Kong and rental income from letting out office properties in Hong Kong, Shanghai and Liaoning in the PRC. The increase in the segment revenue and gross profit is mainly due to increase in loan interest as a result of the increase in provision of loan volume in 2021.

The business from the Food Additives Segment recorded revenue of HK\$5.7 million (2020: HK\$3.5 million) and gross loss of HK\$3.2 million in 2021 (2020: gross loss of HK\$1.8 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 as a result of delayed expansion plan for increasing its capability and surge in raw material cost, the Food Additives Segment incurred an increasing gross loss in 2021.

The Trading Segment was a new segment of the Group started from 2020. It recorded revenue and gross profit of HK\$103.5 million and HK\$15.7 million in 2021 (2020: revenue of HK\$36.8 million and gross profit of HK\$3.2 million), out of which HK\$31.8 million in revenue and HK\$14.6 million in gross profit were contributed by the New Business. The increase in the segment revenue in 2021 was mainly due to a significant increase in trading volume of medical and health products and a whole year revenue contribution from the New Business as compared with only 4 months contribution in 2020. The increase in the segment gross profit in 2021 mainly stemmed from the New Business as a result of the different length of consolidation months of results over the reporting periods and also its sales of new products with higher gross profit ratio in 2021.

The increase in the Group's revenue was mainly due to the significant increase in the revenue of the Trading Segment that substantially offset the persistent slump in the revenue of the Financial Leasing Segment. Due to the increase in gross profit from the Trading Segment partially offsetting the above-mentioned negative net interest spread from the two financial leasing projects, the Group's gross loss significantly reduced in 2021.

### **Other income**

The other income of the Group in 2021 mainly comprised of interest income from trust products and highly liquid wealth management investments issued by non-bank financial institutions in the PRC and bank interest income. The decrease was primarily due to the decrease in interest income from trust products and banks.

## **Other gains and losses**

The other gains and losses in 2021 amounted to a net loss of HK\$12.5 million (2020: net gain of HK\$34.8 million), mainly comprising of fair value loss on investment properties of HK\$10.7 million, a fair value loss on a contingent consideration receivable of HK\$2.6 million and further being offset by a gain on deemed disposal of an associate of HK\$1.2 million. Please refer to note 6 to the consolidated financial statements for breakdown and their changes for the 2021 and the comparative figures in 2020.

## **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\$40.1 million (2020: HK\$94.3 million), legal and professional, depreciation of property, plant and equipment and various administrative expenses. The decrease was primarily due to decrease in staff costs, in particular, on discretionary management incentive expenses in 2021.

## **Share of associates' results**

The share of results of associates amounted to a net profit of HK\$21.3 million as compared with a net loss of HK\$5.7 million in 2020. The turnaround of result from loss to profit in 2021 was mainly due to (i) the sharing of profits of Top Insight and Simagi of HK\$18.8 million and HK\$0.3 million as compared with that of losses of HK\$1.8 million and HK\$21.2 million in 2020 respectively; and (ii) further offset by absence of the sharing of profit of Rizhao Lanshan Wansheng Harbour Co. Ltd. of HK\$17.8 million in 2021 as a result of the disposal of the equity interest held by the Group in 2020.

## **Income taxation**

Income tax expense for the year amounted to HK\$4.1 million (2020: HK\$14.0 million), mainly comprising of (i) a deferred tax expense of HK\$2.6 million and (ii) a provision for current tax for current and prior years of HK\$1.5 million in Hong Kong.

## **FINANCIAL POSITION**

The total asset amount of the Group as at 31 December 2021 amounted to HK\$1,081.5 million, representing a decrease of HK\$104.2 million as compared with HK\$1,185.7 million as at 31 December 2020. The decrease in total asset was mainly due to the repayment of finance lease receivables from the existing finance lease projects and fair value losses on equity investments at FVOCI and investment properties. As at 31 December 2021, the Group's total liabilities dropped by HK\$45.3 million to HK\$565.8 million from HK\$611.1 million as at 31 December 2020, while the Group's total borrowings dropped by HK\$49.7 million to HK\$423.7 million from HK\$473.4 million as at 31 December 2020.

The gearing ratios (which is calculated from the total liabilities over total asset) slightly increased from 51.5% as at 31 December 2020 to 52.3% as at 31 December 2021. The current ratios (which is calculated from total current assets over total current liabilities) decreased from 1.1 as at 31 December 2020 to 0.9 as at 31 December 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had cash and cash equivalents, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK\$55.3 million (of which HK\$18.4 million was pledged to the banks to secure bank borrowings granted to the Group for financial leasing business (2020: HK\$20.7 million)) as compared to HK\$192.4 million as at 31 December 2020. As at 31 December 2021, the Group had bank and other borrowings amounting to HK\$423.7 million (2020: HK\$458.6 million), HK\$ nil (2020: HK\$14.8 million) which are due within one year and one to two years at interest rates from 4.75% to 9.0% (2020: 1.54% to 9.0%) respectively.

For the year under review, the Group has financed its operations with facilities provided by banks and other non-bank financial institutions, capital injection from a non-controlling shareholder of a non-wholly-owned subsidiary of the Company and internally generated cash flows.

## **FOREIGN EXCHANGE EXPOSURE**

During the year ended 31 December 2021, the Group had no material exposure to fluctuation in exchange rates in foreign currency as material transactions such as revenue and cost of sales were denominated in local currencies in which the relevant entities operated. The Group did not enter into any foreign exchange hedging transactions or instruments during 2021.

## **FINANCING BUSINESS AND CREDIT EXPOSURE**

The Group's major credit risk is primarily attributable to finance lease receivables and loan receivables.

They are mostly derived from two kinds of money lending services, namely the financial leasing services in the PRC carried out by non-wholly owned subsidiaries (namely, Beijing Ever Grand International Financial Leasing Co. Limited ("BJEG") and its subsidiaries (collectively, "BJEG Group")) and the loan financing services carried out by TF Advances Limited ("TF Advances") in Hong Kong.

### **The financial leasing service in the PRC**

#### ***Business model***

BJEG Group principally engages in the provision of finance lease and related consultancy services in the PRC. The principal mode of finance lease offered is the sale-and-leaseback model. The principal loan amounts are back-to-back sourced from peers or banks to the customers on recourse or non-recourse basis. For recourse financing, the financing agreement contains a recourse clause pursuant to which, upon occurrence of events (the "Recourse Events") specified under the recourse clause, the ultimate lender has the right to transfer the outstanding receivable of periodic lease payments due from the lessee during the lease term back to the BJEG Group, and the BJEG Group will pay the ultimate lender an amount equal to such outstanding receivable of periodic lease payments transferred. For non-recourse financing, upon occurrence of the Recourse Events, the BJEG Group would not be liable for any damages and losses suffered by the ultimate lender. Due to difficulty to source back-to-back borrowing to finance finance leases under the tightening regulatory requirements, they have been recently funded by the Group's own capital.

BJEG Group's target customers in the PRC mainly include sizable and asset-intensive institutional customers covering industries ranging from the energy resources, manufacturing, transportation, public utility construction, property management and education sectors. Most customers of BJEG Group in the PRC are sought after through (a) referrals from business partners of existing customers, banks or peers, (b) marketing and sales effort from BJEG Group's operation division in the PRC, and (c) business connections from the Group's senior management.

## **Internal control procedures**

BJEG Group has taken the following internal control measures in carrying out the financial leasing business:

### ***Credit risk assessment of customers***

- (i) The operation division of the BJEG Group evaluates the background and the credit worthiness of any new customers by considering its financial position, market share, background of shareholders and business reputation. The BJEG Group also takes into consideration their business strategies in the future and their expansion plan. After assessment, the Operation Division will make application and the management of the BJEG Group will decide whether to make quotation and the proposed terms of the finance lease based on the application, source of funding, preliminary risk of the application and assessment of costs to be incurred by the Finance and Treasury Division.

### ***Mechanism in determining loan terms***

- (ii) After preliminary approval by the management, the operation division of the BJEG Group will carry out due diligence and checks on creditworthiness. The BJEG Group studies and analyses the background of the customer including its operating history and shareholders and other financial information. Specific needs in respect of the type and specification requirements of the assets will also be studied and compared with the BJEG Group's historical and market records. After due diligence, the operation division of the BJEG Group will provide preliminary quotation for client's consideration based on the estimated cost of capital, return assessment and approval by the management.

The BJEG Group will also evaluate different transaction structures and the relevant leasing and financing options. Lease terms including time frame, the amount of the lease payment, the payment schedule, and financing terms including interest rate, duration and the amount of financing will also be considered for the purpose of making an overall assessment of the legal and operational risks of a particular transaction. Interest rate risk, counterparty and credit risk, the level of debt, and the residual value risk of the subject assets will also be assessed at this stage. Cash flow analysis will also be performed to assess the financial impact of the transaction.

In evaluating a finance lease transaction, the BJEG Group will assess the profitability and the return on investment, the counter-party risk, leverage risk, and the residual value risk.

The BJEG Group will proceed to obtain preliminary indications from the financial institutions for the financing arrangements (if any). The BJEG Group will generally require indications from at least two financial institutions on the proposed financing arrangements.

### ***Approval process for granting loans***

- (iii) After confirmation of principal terms with the customers, the operation division of the BJEG Group will make a final application and notify the finance and treasury division of the BJEG Group. With reference to the opinion from external legal adviser, the general manager will conduct the final assessment of the risk of the finance lease application and consider recommending it or not to the board of BJEG, the legal representative of TJ Ever Grand to approve it accordingly.

After the approval by the board of BJEG, the legal representative of TJ Ever Grand, the operation division of the BJEG Group will then proceed to prepare the agreement and relevant document on the basis of the negotiated and approved terms of the asset acquisition, lease and the financing of the finance lease (if any). The relevant documents will be reviewed by the finance and treasury division of the BJEG Group and external legal adviser for comments.

Following the determination of the specifications and the detailed terms of the financing arrangements (if any), the BJEG Group will proceed to coordinate with different parties for the finance lease and financing. The process represents the collaborative efforts of different departments to ensure that all the related arrangements will be completed according to the planned schedule.

The finance and treasury division of the BJEG Group grants financing according to the financing conditions and timetable of the signed finance lease agreement and the financing of the finance lease agreement (if any).

All the finance leases will be subject to a further approval by the board of the Company if an applied amount triggers the disclosure or shareholder's approval obligation of the Company under the Chapter 13, 14 or 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### ***Monitoring loan repayment and recovery***

- (iv) The operation division and finance and treasury division of the BJEG Group monitors the receipt of the lease payment from the customers, and closely monitors if there is any delay in the lease payment by the customers and follow-up actions to be taken promptly in case of such delay. The BJEG Group will monitor if there is any breach of covenant and assess the consequential impact in case of the occurrence of any breach of covenant.

The operation division of the BJEG Group will closely monitor the financial condition of the lessees and the guarantors (collectively, the “Obligors”), requesting financial statements of the Obligor semi-annually and keeping track of the Obligors in public domain for analysis, in order to monitor the financial position and the operating condition of the Obligors. If and when there are some adverse changes in credit risk in the Obligors based on internal risk evaluation and/or occurrence of delayed payments, on-site checks at the Obligors’ premise will be carried out to check the operating condition of the Obligors, project progress and condition of the leased assets, all of which will be documented accordingly. The BJEG Group will obtain the relevant information on the operating and credit condition of the lessee and condition of the leased assets through ongoing monitoring, industry analysis, online information, newspaper and research report, in order to evaluate the creditability of the lessees and identify any potential default risk and based on the result of such evaluations, to timely implement measures such as on-site checks (if and when necessary), replenishment of leased assets, amendments to the terms of the lease agreement, seizure of the leased assets or termination of the lease agreement.

In addition, the BJEG Group also closely monitors the operating and credit condition of the customers in order to assess the creditworthiness of the customer and to identify any potential risk of default.

As part of the on-going monitoring process, the BJEG Group also explores opportunities to realise their investments in finance lease receivable through different financing strategies.

### ***Taking actions on delinquent loans***

- (v) If the customer of leasing project is overdue, the operation division, finance and treasury division and the project leaders of the BJEG Group will keep a close contact with customers and creditors to keep the relevant parties informed of the current development and seek a proper solution to resolve or mitigate the risk exposure of the BJEG Group.

Upon the enquiry to the customer, the BJEG Group may at its own discretion grant a limited time extension, usually not exceeding three months to the customer. Upon passing the time extension period, the BJEG Group will send demand letters to the defaulting customers.

In the event of a default, the BJEG Group may also negotiate settlement proposals with the customer. Where settlement proposals cannot be agreed, or where the customer fails to honour the commitments under the settlement proposals, or the customer lost contact with the BJEG Group, the BJEG Group may institute legal proceedings against the customer, seeking to realise the property for public auction to recover the principal and outstanding interest. In determining the time extension, the settlement proposals and the possible enforcement action, we will have regard to, amongst other things, (i) the loan-to-value ratio of the loan (including interest), (ii) the costs of legal action, and (iii) the probability and ability of realizing the underlying securities.



## **The loan financing services in Hong Kong**

### ***Business model***

TF Advances is a company incorporated in Hong Kong and a licenced money lender under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong), which principally engages in the provision of loan financing service in Hong Kong by providing unsecured or secured loan to its customers. TF Advances generally utilises its internal working capital as the loan principal. TF Advances's target customers in Hong Kong include individuals and institutional clients. Most loan transactions of TF Advances in Hong Kong are sought after through (a) referrals from its existing customers or business partners, and (b) business connections of the Group's senior management.

### **Internal control procedures**

#### ***Credit risk assessment of customers***

TF Advances has taken the following internal control measures in carrying out the loan financing business:

- (i) An eligible client could be a corporate or an individual whose creditworthiness and loan collateral are evaluated and approved by the finance department, legal department and the chief executive officer of TF Advances (collectively, the "Management Team"). All the loans will be required to be further approved by the board of the Company if an applied loan amount is over HK\$25 million or an amount that would trigger the disclosure or shareholder's approval obligation of the Company under the Chapter 13, 14 or 14A of the Listing Rules, whichever is the lower (collectively, the "Threshold").

Upon receiving the applicant's particulars and loan terms documented in a loan application form, TF Advances will obtain proof of identity, background and contact details from the applicant for verification. TF Advances will also conduct background search and credit search against the applicants and guarantor (in case of any personal or corporate guarantee). TF Advances will also follow the money laundering and terrorist financing prevention procedures in the course of collection and verification of information about their backgrounds. If there is any collateral such as pledge of real estate property, TF Advances will perform preliminary valuation and validity check on the legal titles of the collateral to be pledged. In case of low liquidity of the collateral, we may consider engaging independent surveyor or valuer to conduct a valuation.

### ***Mechanism in determining loan terms***

- (ii) The operation team of TF Advances will determine the offer terms of the loan such as the amount and the interest rate of the loan and the period of repayment, on a case-by-case basis considering the applicant's background and other factors (if applicable) such as the following:
- a) Tenor of the loan;
  - b) Any personal or corporate guarantee;
  - c) Any encumbrances on the collateral and its liquidity and marketability;
  - d) Valuation of the mortgaged real estate (if any);
  - e) Salary income proof, duration of current employment, personal net worth for individual customers;
  - f) Financial position and performance on the latest auditor's report/management accounts;
  - g) Proposed use of proceeds;
  - h) Benchmarking performed by obtaining quotations of the prospective loans in kind by other peers.

After collecting all necessary information about the applicants and the loans, a credit assessment form will be completed and submitted to the Management Team for approval.

### ***Approval process for granting loans***

- (iii) The Management Team will approve the application if they think fit based on the results of the background checks, borrower's/guarantor's repayment ability, and legal searches and valuation of collateral. Prior to the approval of the application, the Management Team may also consult the independent non-executive directors of the Company for their independent view and professional judgement on the loan application. In addition, the financial controller of the Company will assess the cash position of the Company to ensure the sufficiency of working capital of the Company.

It is a policy of TF Advances that the loan amount should normally not be more than 100% of the market value of the collateral and/or not be more than 5-years of total forecasted salary income/net profits. Should there be any shortfall, TF Advances may request personal guarantees from the borrower's directors and/or ultimate beneficial shareholders (in case the borrower is a company). Additional approval from the Board is required when the applied loan amount exceeds the Threshold.

After obtaining the internal approval, TF Advances will enter into the loan agreements with the borrowers and/or guarantors. TF Advances may also instruct its external legal consultant for the preparation and execution of the required legal documents.

### ***Monitoring loan repayment and recovery***

- (iv) Upon the loan agreements being entered into, the finance department of TF Advances will mark the date of repayments of each loan. One week before the payment due date, a notice for demand is served to borrower. When it is overdue, an overdue notice will be brought to the attention of senior management of TF Advances for further consideration.

At each year end, a valuation of collateral is performed to ensure the sufficiency of loan-to-value ratio at least reaching 100%. At each end date of the bi-annual reporting period on 30 June and 31 December of each year, the finance department of TF Advances will obtain an updated statement of collaterals or financial statements of borrower and guarantors (if any) for evaluation of credit worthiness.

### ***Taking actions on delinquent loans***

- (v) When the loan is overdue, the finance department of TF Advances will contact the borrower and guarantor (if any) to remind them of the possible enforcement action(s) and timing of repayment and seeking reasons for the delay in payment. Depending on the reasons given by the borrower, TF Advances may at its discretion grant some time extension for a period usually not exceeding 3 months.

When the loan is overdue for more than 1 month, a written notice for demanding repayment will be served to the borrower and guarantor (if any).

When the loan is overdue for more than 3 months, a demand letter will be served to the borrower and guarantor (if any). If no concrete response is received, legal proceedings may be commenced against the borrower and guarantor (if any). TF Advances may also apply to court for freezing and/or disposing of the collaterals.

Normally settlement proposals like rescheduling the repayment schedule would be negotiated between the defaulted customer and TF Advances. However, such repayment schedule shall be approved by the director(s) of TF Advances. Further approval from the Board will be required, if the repayment proposal involves a change in principal terms of any transaction which exceeds the Threshold or triggers any other requirements under the Listing Rules.

## TOP FIVE BORROWERS

The following table sets out the top five borrowers and the principal terms of finance lease receivables (“FL”) and loan financing (“Loan”):

			2021 Principal Amount <i>HK\$'000</i>	Percentage to the total gross principal amount	2020 Principal Amount <i>HK\$'000</i>	Percentage to the total gross principal amount
	Type of receivable	Interest rate, term, maturity and securities obtained				
Gross:						
Customer 1 – Qinghai	FL	5.46% per annum, 5-years ending in April 2023, secured by leased machinery and guaranteed by its ultimate holding company.	245,380	43.3%	237,520	42.9%
Customer 2 – Sanya	Loan	9% per annum, 1-year ended in Jan 2020, secured by leased aviation facilities and others and guaranteed by its holding company.	165,631	29.2%	160,326	29.0%
Customer 3	Loan	10% per annum, 1-year ending in Jan 2023, secured by a share charge by a chargor company in which Customer 3 indirectly owned 90% equity interest.	56,000	9.9%	–	–
Customer 4	FL	11.0% per annum, 2 to 3 years ending in Nov 2023 and Apr 2024, secured by leased equipment and guaranteed by its former holding company.	36,807	6.5%	–	–
Customer 5	FL	4.75 per annum, 5-years ending Jan 2022, secured by leased machineries and security deposit.	12,269	2.2%	59,380	10.7%
Others	Loan		–	–	30,509	5.5%
Others	FL		8,588	1.5%	14,845	2.7%
Others – treasury investment ( <i>note 6</i> )	Loan		42,451	7.4%	50,656	9.2%
Total gross principal amount			<u>567,126</u>	<u>100%</u>	<u>553,236</u>	<u>100%</u>

## Expected Credit Loss (“ECL”) of Finance Lease and Loan Receivables

				2021 Amount of Provision	Percentage to the total provision	2020 Amount of Provision	Percentage to the total provision
	Type of receivable	ECL Stage for 2021 balance	Notes	<i>HK\$'000</i>		<i>HK\$'000</i>	
Less: Provision for impairment losses							
Customer 1 – Qinghai	FL	3	note 1	(144,774)	56.7%	(140,137)	49.9%
Customer 2 – Sanya	Loan	3	note 2	(103,059)	40.4%	(108,072)	38.5%
Customer 3	Loan	1	note 3	–	–	N/A	N/A
Customer 4	FL	1	note 4	(3,681)	1.4%	–	–
Customer 5	FL	1	note 5	–	–	(3,563)	1.3%
Others	Loan	3		–	–	(25,509)	9.0%
Others	FL	1		(1,227)	0.5%	–	–
Others – treasury investment ( <i>note 6</i> )				(2,454)	1.0%	(3,563)	1.3%
Total provision				<u>(255,195)</u>	<u>100%</u>	<u>(280,844)</u>	<u>100%</u>
Total net amount				<u><u>311,931</u></u>		<u><u>272,392</u></u>	

## Basis of Assessment of ECL

ECL assessment on receivables are performed individually based on probability-weighted expected credit losses of multiple possible events (“PWECL”) model adopted in accordance with HKFRS 9, which involves 4 key parameters, namely (i) Exposure at default (“EAD”); (ii) probability of default (“PD”); (iii) Loss given default (“LGD”) or 100% minus recovery rate upon default (“Recovery Rate”); and (iv) discount rate. The depth of PWECL model depends on the year end status of recoverability of each receivables which are classified into 3 stages from the lowest stage 1 (i.e. only to estimate the possible events within 12 months after assessment date) to the highest stage 3 (i.e. lifetime) and summarised as below. References are made to an announcement dated 3 September 2021 for capital terms used and further details.

<b>Type of stage</b>	<b>Year end status of recoverability</b>	<b>Length of assessment</b>
Stage 1	The counterparty has a low risk of default and does not have any past-due amounts, or debtor frequently repays after due dates but usually settle after due date	12 month ECL
Stage 2	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired

**General collaterals, guarantees obtained and comments over the movement in the total provision for ECL**

As at 31 December 2021, FL were all secured by respective equivalent or more worth of net book value of leased machinery and equipment. FL with an aggregate carrying amount of HK\$144,774,000 were also guaranteed by related parties of customers and/or customers' deposits.

As at 31 December 2021, Loan other than those for treasury investment were all secured by respective equivalent or more worth of net book value of respective leased aviation facilities and unlisted equity interest of a company and also a carrying amount of HK\$62,572,000 was guaranteed by a related party of customer.

The provision for impairment losses on receivables decreased by HK\$25.6 million from HK\$280.8 million as at 31 December 2020 to HK\$255.2 million primarily because of a write-off of a fully impaired loan of HK\$25.5 million in prior years. Other than this, there was a relatively mild increase or decrease in provision for each receivable that offset each other and did not impact on the total during the year.

*Notes:*

1. As at 31 December 2021, the cumulative ECL amount of HK\$144.8 million is based on EAD of HK\$229.4 million after netting off collateral value of HK\$15.9 million, PD of 100% (i.e. default events were triggered in prior years), LGD of 61.03% or recovery rate of 38.97% and discount factor of 0.95. There were no significant changes in the parameters and thus no significant movement in the provision for ECL noted.
2. As at 31 December 2021, the cumulative ECL amount of HK\$103.1 million is based on EAD of HK\$165.6 million, PD of 100% (i.e. default events were triggered in prior years), LGD of 62% (2020: 57.7%) or recovery rate of 38% (2020: 42.3%) and discount factor of 1.0 (2020: 0.91). There was a slight overprovision for ECL of approximately HK\$5 million mainly because of the timing factor as the repayment scheme under the approved restructuring plan was in process and the compensation will be receivable shortly after the current year end.
3. As at 31 December 2021, there was no provision for ECL mainly because the estimated collateral value sufficiently covers the credit exposure.
4. As at 31 December 2021, the cumulative ECL amount of HK\$3.7 million is based on EAD of HK\$36.8 million, PD of 1.2%, LGD of 61.9% or recovery rate of 38.10% and discount factor of 0.9. The receivable was newly acquired in 2021 and no comparison with prior year can be made.
5. As at 31 December 2021, the prior year cumulative ECL amount was fully reversed because the last installment receivable was subsequently received.
6. The receivables made for treasury investment purpose are mainly trust products issued and managed by trust management companies in the PRC and not considered part of the principle activities of the money lending business.

## **CHARGE OF ASSETS**

As at 31 December 2021, the restricted bank deposits of HK\$18.4 million (as at 31 December 2020: HK\$20.7 million) and the finance lease receivables of HK\$100.6 million (2020: HK\$97.4 million) were pledged to the banks and other non-bank financial institutions for facilities granted to the Group.

As at 31 December 2021, the Group's 51.39% equity interest in Ever Grand (Tianjin) Finance Lease PRC Co., Ltd. was pledged to secure a borrowing facility to finance prospective finance lease transactions which turned out not to materialize and the facility had never been utilised. The share charge was then discharged on 24 January 2022.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, there was a litigation in the PRC about an alleged breach of loan contract brought by The Export Import Bank of China (“EXIM Bank”) against BJEG, a non wholly owned subsidiary of the Company in the PRC. A court hearing was held in late April 2021. The loan contract was related to Qinghai, and its terms and amount of loan proceeds were back-to-back with those of the finance lease agreement with Qinghai. In this appeal, EXIM Bank as an appellant appealed to overturn the judgement at the first instance (Notification ([2020] Shan 01 Min Chu 659) handed down by the Intermediate People Court of Xi’an City, Shanxi Province (the “Xi’an Intermediate Court”) which dismissed EXIM Bank’s claims brought against BJEG regarding the alleged breach of loan contract in December 2020. In the appeal case, EXIM Bank reinstated its claims to require BJEG to repay the outstanding principal, overdue interests (i.e. normal, compound and penalty to be charged at 50% of the prevailing commercial lending standard rate of the same kind in the PRC plus 15%) under the loan contracts and court fees or requested to return the case for retrial. As at 31 December 2021, the relevant carrying amount of outstanding principal and interest amounted to RMB200 million and RMB27.8 million recorded in borrowing and other payable respectively. As at the date of this announcement, the judgement of the appeal case is not yet available.

Save as disclosed hereinabove, the Group had no other material contingent liabilities as at 31 December 2021.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitments of HK\$0.1 million (2020: HK\$0.1 million) for the acquisition of property, plant and equipment.

## **PROSPECT**

Looking ahead, the Group will likely continue facing a few operating challenges. In China where the Group’s financial leasing business is operated, it demonstrated a strong rebound in economic growth in 2021 with a year-on-year growth of China’s GDP of 8.1%, thanks to the resumption of normal commercial activities through the successful implementation of zero tolerance COVID-19 elimination strategy throughout the year. Having said that, the recent domestic outbreak of the new COVID-19 variant, Omicron, has caused more broad-based and longer-lasting restrictions, leading to larger disruptions in economic activities. In addition, China has been struggling with the risk of increasing level of corporate and local government debts. In the midst of continued geopolitical tensions and a threat of deglobalization, China’s sustainable economic growth will depend on the success of economic rebalancing toward consumption, services, and green investments, which places further reliance on markets and private sector initiative collaborated with necessary government supports to achieve the required structural changes. None of these rebalancing acts are easy.



In Hong Kong where the Group has been placing emphasis on domestic consumption market especially on the consumer products found in pharmacies, economic recovery remained robust through successful implementation in COVID-19 containment measures and a series of anti-epidemic subsidize schemes launched by the Hong Kong government until recently a fifth wave of outbreak of Omicron variant of COVID-19 pandemic, which hit the city hard. People from all walks of life on almost every aspect and commercial activities have been heavily disrupted by loads of stringent social distancing restrictions. Unemployment rate is expected to rise as a result of more retail shops and vulnerable SMEs going out of business. The future local economy lies on the success in controlling the new wave of infections, the reopening of the borders and the political stability.

As to the Financial Leasing Segment, it has been exploring new business models to thrive under the prevailing regulatory requirements and targeting customers in some promising sectors like green energy, environment friendly and mechanic and engineering. Since the restructuring plans of two defaulted customers had been approved by the court and their creditors and the execution of the plans were still under progress as at year end of 2021, a greater effort has also been put to sort out the creditors of these two defaulted recourse businesses especially in mitigating the risk of litigation brought or to be brought by them. It involves enormous amount of negotiations with the creditors and gathering favorable admissible evidences to prepare for a legal battle with an aim to get the segment off the deal structure or/and reach out of court settlement. At the same time, it continues to adhere to the risk management and control policies to critically evaluate any potential adverse change in credit risk of other existing finance projects and promptly take recovery actions in a bid to safeguard 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 will closely assess its performance and optimize its composition in order to strike a balance between a stable return and the necessary liquidity of the Group.

As to the Food Additives Business, it has been grappling with the surge in raw material price of sorbitol. With a higher cost profile of the manufacturing process, it is uneasy to shift the burden to customers and thus the gross profit is suppressed. Leveraging the purchase team's knowledges and connections with the supply chain, it has been exploring business opportunity in the trading of those raw materials, though at lower gross profit, to make up for the narrower margin of sales of manufactured goods and broaden a new income source at a minimum setup cost. In the mid to long term, the primary focus still remains on increasing the capacity of solid sorbitol through establishment of one or more new production lines in order to tackle the persistent problem of economic of scale and build up the bargaining power with customers. The expansion plan has been subject to new fresh capital. In the meantime, the segment will continue to enhance the production stability, broaden the customer base in different provinces and industries, and optimize the production process to reduce operating costs.

As to the Trading Segment, the Group will emphasize on product diversification, various distribution channels and widening customer base in different territories to bolster the business volume. The segment has recently put for sale certain proprietary Chinese medicines (“PCMs”), health products and other personal care products on an e-commerce platform in China specialising in the sales of a variety of quality life products. In addition, seeking partnerships with various healthcare companies allow us to expand our product line into the fields of maternal and child healthcare as well as medicines. Leveraging a wholesaler licence in PCMs, the Group has reached in a delicate stage to obtain a direct exclusive distributorship of PCMs with manufacturers to enhance the volume and profitability. Leveraging our personal network and expertise in the industry, establishment of extensive distribution network of small and medium dispensaries in Hong Kong and the public awareness of hygiene and health during the pandemic, the future demand for health products, personal care and other medical products that the segment offers looks promising. The Group will remain committed to cultivate the business and consider it as a growth impetus in the future.

In addition to the existing segments, the Group will cautiously and diligently explore new potential growth opportunities, undervalued assets and business expansion in order to diversify the income sources, bring in profits and ultimately attain long and sustainable growth and enhance shareholders’ value as a whole.

## **SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS**

At 31 December 2021, the Group held loan receivables (excluding from a loan receivable from sale-leaseback transaction and those from money lending business) of HK40.0 million (2020: HK\$47.1 million), equity investments at FVOCI of HK\$108.8 million (2020: HK\$123.8 million) and financial assets at FVTPL of approximately HK\$147.1 million (2020: HK\$156.1 million).

During the year, the Group invested in loan receivables through 1 to 3 years trust products of HK\$30.2 million (2020: HK\$45.4 million) issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK\$3.1 million (2020: HK\$5.9 million) and a reversal of impairment loss on loan receivables of HK\$1.2 million (2020: impairment loss of HK\$3.4 million).

The equity investments at FVOCI of HK\$108.8 million as at 31 December 2021 (2020: HK\$123.8 million) represented unlisted equity securities issued by the PRC and Hong Kong private entities with operations including manufacturing and sales of medical equipment, rockets and satellite network, new materials for industrial and medical equipment, batteries for EV cars, provision of asset management of unlisted investments 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\$18.7 million recognised through other comprehensive income in 2021 (2020: a fair value loss of HK\$3.6 million) and no dividend income was recognised to profit or loss in 2021 and 2020 from the equity investments at FVOCI.

Included in equity investments at FVTOCI as at 31 December 2021 represented the equity investment of 55,500,000 shares of Imagi Brokerage Limited (“Imagi Brokerage”), or approximately 9.09% of the total issued shares of it (as at 31 December 2020: 55,500,000 shares or 9.99%), whose fair value was HK\$55.7 million or approximately 5.15% of the Group’s total asset (as at 31 December 2020: HK\$74.3 million or 6.3%) and the cost was HK\$74.3 million. The investee mainly carries out businesses of type 1, 2, 4, 5 and 9 regulated activities licensed by the SFC in Hong Kong. With no dividend income received, there was an unrealized fair value loss of HK\$18.6 million recognised to other comprehensive income in the current period (2020: nil) mainly due to significant operating losses of the investee caused by material fair value losses in listed equity investments though its revenue from brokerage and asset management services increased significantly. The investment is mainly to bring returns to the Group by dividends and capital growth. It is summarised as below:

Name of Investment Company	Place of incorporation	Securities held by the Group	Proportion of ownership held by the Group		Percentage to the Group’s net asset		Nature of business	Investment cost (HK\$ million)	FVOCI (HK\$ million)		Fair value loss (HK\$ million)		Dividend income (HK\$ million)	
			2020	2021	2020	2021			2020	2021	2020	2021	2020	2021
Imagi Brokerage Limited	Hong Kong	55,500,000 shares	9.99%	9.09%	6.30%	5.15%	Type 1, 2, 4, 5 and 9 regulated activities licensed by the Securities and Futures Commission	74.3	74.3	55.7	Nil	18.6	Nil	Nil

Other than Imagi Brokerage, there was no other single significant investment, classified as the equity investments at FVOCI, in any investee company with a value of 5% or more of the Group’s total assets as at 31 December 2021 and 2020.

The financial assets at FVTPL of HK\$147.1 million as of 31 December 2021 (2020: HK\$156.1 million) comprised of (i) 10 different listed and unlisted equity fund products in the PRC of HK\$72.2 million (2020: 7 different listed and unlisted equity fund products in the PRC of HK\$88.0 million) and (ii) numerous listed equity shares and bonds of HK\$74.9 million in the Hong Kong and the Chinese stock exchanges (2020: HK\$68.1 million). There was a fair value gain of HK\$17,000 recognised to profit or loss in 2021 (2020: fair value loss of HK\$2.5 million).

There was no single investment classified as the financial assets at FVTPL with a value of 5% or more of the Group's total assets as at 31 December 2021 and 2020.

The Board is of the view that reasonable and effective use of temporary idle funds will enhance the overall capital gain of the Group. The investments were made for treasury management purpose with a view to increasing the return on the unutilised funds of the Group and generating better investment return to the Company and its Shareholders as a whole after taking into account, among others, the level of risk and return on investment. Prior to making such investments, the Group had ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments. The Board considers that they are conservative investments with a satisfactory expected return, acceptable risk and high liquidity, are in line with the internal risk management and treasury management of the Group, and have not caused any adverse impact on the working capital of the Group. As part of its treasury management, the Group has been closely monitoring the performance of the investments and its cash flow position.

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2021.

## **EMPLOYEE AND REMUNERATION**

As at 31 December 2021, the Group had approximately 98 (2020: 103) 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. The Group offers induction trainings to new employees and gives regular trainings to existing employees for updating their skills and knowledge.

A share option scheme was adopted on 29 July 2016. As at 31 December 2020, a total outstanding number of share options were granted to the eligible employees, including directors of the Company, amounted to 1,983,333 which were all lapsed upon expiry on 29 July 2021. Details of the share options granted are set out in the announcement of the Company dated 8 December 2016.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere on the announcement, the Group did not have any significant events after the reporting period.

## 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"), the 2020 interim report dated 26 August 2020 and the 2021 interim report dated 25 August 2021. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as those defined in the Announcements. Part of the net proceeds (the "Net Proceeds") from placing were applied up to 31 December 2021 and are intended to be applied in accordance with the revised proposed application set out in the Announcements. The below table sets out the revised proposed application and actual usage of the Net Proceeds during the year and, as at 1 January 2021 and 31 December 2021:

		Actual use of Net Proceeds as at 1 January 2021 (HK\$' million)	Actual use of Net Proceeds during 31 December 2021 (HK\$' million)	Unutilised amount of Net Proceeds as at 31 December 2021 (HK\$' million)	Expected timeline for the intended use
Improving and enhancing the existing production lines for Food Additives Business	4.7	–	–	4.7	31 December 2022
Working capital of the Food Additives Business	6.3	(6.3)	–	–	–
Purchasing the medical, health and hygiene products for trading purpose	15.0	(15.0)	–	–	–
General Working Capital of the Group	6.2	(6.2)	–	–	–
	<u>32.2</u>	<u>(27.5)</u>	<u>–</u>	<u>4.7</u>	

Due to the continuous outbreak of the COVID-19 Pandemic which disrupted the Food Additives Business, there has been a delay in the application of the unutilised proceeds allocated to improving and enhancing the existing production lines for Food Additives Business to 31 December 2022. The remaining unutilised proceeds of HK\$4.7 million allocated to improving and enhancing the existing production lines for Food Additives Business has been deposited into bank accounts in Hong Kong.

## **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 and an announcement dated 3 September 2021 in relation to the fulfillment of the profit guarantee for the year ended 31 December 2020.

According to an unaudited management account of Tripler for the year ended 31 December 2021, the profit guarantee of not less than HK\$6.5 million for the same period is met. However, as of the reporting date, the actual financial results of Tripler for the same was still subject to potential adjustments and finalisation of company level audit account of Tripler by the Company's auditor and therefore the actual result of the profit guarantee might be different. An announcement will be further made to update the development in due course when the relevant audit report is issued.

## **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 6 June 2022 to 9 June 2022 (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., 2 June 2022.

## **CORPORATE GOVERNANCE CODE**

During the financial year ended 31 December 2021, the Company has complied with the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations as summarised below:–

### **Code Provision A.6.7 (now rearranged as C.1.6)**

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Goh Choo Hwee, a former independent non-executive director of the Company, was unable to attend the annual general meeting held on 11 June 2021 (the "2021 AGM") due to his other business commitments.

### **Code Provision B.1.2 (now rearranged as E.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 (now rearranged as F.2.2)**

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 2021 AGM due to his other important commitment. Mr. Lai Ka Fai, executive director chaired the 2021 AGM and opened to be questioned from the shareholders of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. 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 2021.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

## **DIVIDEND**

The Board resolved not to declare dividend for the year ended 31 December 2021 (2020: nil).

## **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 2021 have been reviewed and approved by the audit committee.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Company's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 on this announcement have been agreed by the auditors of the Company, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the same period. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021. The report includes paragraphs of an emphasis of matter, without qualification.

### **“OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$62,708,000 for the year ended 31 December 2021 and had net current liabilities of approximately HK\$58,411,000 as of that date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”



## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.egichk.com). The 2021 Annual Report of the Company will be published on the above websites and dispatched to the Shareholders in due course.

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

Hong Kong, 31 March 2022

*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. Lo Tsun Yu, Mr. Ho Hin Yip, Mr. U Keng Tin and Mr. Leung Yiu Ming, David as independent non-executive Directors.*