

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

ANNUAL RESULTS ANNOUNCEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Financial Leasing Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 December 2022 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	4	155	95
Gain on disposal of subsidiaries, net		1	—
Net loss on financial assets at fair value through profit or loss		<u>(16,044)</u>	<u>(45,583)</u>
		(15,888)	(45,488)
Impairment loss on other receivables		—	(1,028)
Administrative expenses		<u>(4,593)</u>	<u>(4,831)</u>
Loss from operations		(20,481)	(51,347)
Finance costs	5	<u>(21)</u>	<u>(250)</u>
Loss before tax		(20,502)	(51,597)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the year attributable to owners of the Company	7	<u>(20,502)</u>	<u>(51,597)</u>

* *For identification purposes only*

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income for the year, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the year attributable to owners of the Company		<u>(20,502)</u>	<u>(51,597)</u>
			(Re-represented)
Loss per share	9		
Basic (HK cents per share)		<u>25.64</u>	<u>92.58</u>
Diluted (HK cents per share)		<u>25.64</u>	<u>92.58</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		—	17
Right-of-use asset		—	85
Refundable rental deposit		60	62
		<u>60</u>	<u>164</u>
Current assets			
Financial assets at fair value through profit or loss		45,913	25,764
Deposits and prepayments		25	2
Bank and cash balances		22,933	21,125
		<u>68,871</u>	<u>46,891</u>
Current liabilities			
Accruals		433	437
Lease liabilities		268	96
		<u>701</u>	<u>533</u>
Net current assets		<u>68,170</u>	<u>46,358</u>
Total assets less current liabilities		<u>68,230</u>	<u>46,522</u>
Non-current liabilities			
Lease liabilities		93	—
NET ASSETS		<u>68,137</u>	<u>46,522</u>
Capital and reserves attributable to owners of the Company			
Share capital		6,938	46,253
Reserves		61,199	269
TOTAL EQUITY		<u>68,137</u>	<u>46,522</u>
			(Re-represented)
Net asset value per share (HK cents per share)	<i>10</i>	<u>39.28</u>	<u>80.46</u>

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 11/F., Wui Tat Centre, 55 Connaught Road West, Hong Kong. The Company's shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to the "Group") are principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities on a general perspective.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the Board on 24 February 2023.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this results announcement.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

Revenue recognised during the year is as follows:

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Dividend income		150	95
Interest income		5	—
		155	95

The results arising from the fair value change of financial assets at fair value through profit or loss (“FVTPL”) are shown separately in the consolidated statement of profit or loss and other comprehensive income under the line of “Net loss on financial assets at fair value through profit or loss”. The gross proceeds from trading of securities for the year amounted to approximately HK\$57,553,000 (2021: HK\$22,457,000).

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group’s executive director for his decisions about resources allocation to the Group’s business components and review of these components’ performance.

For both years ended 31 December 2022 and 2021, the Group has identified only one segment and the sole business of this segment is investment in listed and unlisted securities. No separate analysis of segment information by business segment is presented.

The Group’s revenue from external customers and its non-current assets by geographical areas are not presented as the geographical segments other than Hong Kong are less than 10% of the aggregate amount of all segments.

5. FINANCE COSTS

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Interest on borrowings		—	70
Interest expense on lease liabilities		21	20
Interest on margin payable		—	160
		21	250

6. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the British Virgin Islands during the year (2021: Nil).

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no assessable profit for the year (2021: Nil).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Loss before tax		<u>(20,502)</u>	<u>(51,597)</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)		(3,382)	(8,514)
Tax effect of income that is not taxable		(29)	(15)
Tax effect of expenses that are not deductible		1,108	2,333
Tax effect of other temporary differences not recognised		(3)	(3)
Tax effect of tax losses not recognised		<u>2,306</u>	<u>6,199</u>
Income tax expense		<u>—</u>	<u>—</u>

At the end of the reporting period the Group has unused tax losses of approximately HK\$363,390,000 (2021: HK\$349,413,000) available for offset against future profits and are subject to the approval of Inland Revenue Department. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

7. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year attributable to owners of the Company is stated after charging/ (crediting) the following:

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		355	335
Depreciation of property, plant and equipment		9	3
Depreciation of right-of-use assets		261	254
Net foreign exchange loss		8	—
Impairment on arising from:			
— Property, plant and equipment		29	—
— Right-of-use asset		353	—
— Other receivables		—	1,028
Gain on disposal of subsidiaries		<u>1</u>	<u>—</u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$20,502,000 (2021: HK\$51,597,000) and the weighted average number of ordinary shares of 79,955,313 (2021 (re-represented): 55,731,667) in issue during the year.

Diluted loss per share

As the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2022 and 2021, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2022 and 2021.

10. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2022 of approximately HK\$68,137,000 (2021: HK\$46,522,000) and the number of ordinary shares of 173,448,741 in issue as at that date (2021 (re-represented): 57,816,247 ordinary shares as adjusted to reflect the share consolidation on 21 September 2022).

11. EVENTS AFTER THE REPORTING PERIOD

Realised losses and unrealised losses on financial assets at FVTPL

The realised gains and unrealised gains on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2022 to the date of approval of this results announcement were amounted to approximately HK\$3,218,000 and HK\$345,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2022, China Financial Leasing Group Limited (the “Company”) with its subsidiaries (collectively the “Group”) was mainly engaged in the activities of short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.

Worldwide financial markets experienced a roller coaster ride in 2022, as during first three quarters of the year, all markets were battered heavily with tons of adverse news such as Russia-Ukraine conflict, inflation fear in United States (“US”) that sparked upward trend in interest rate as well as worries of aggressive monetary policy by Federal Reserve that may trigger fear of US economy entering into recession. S&P 500 index dropped an astounding 24.8% for the first nine months of 2022. On the other hand, outbreak of Omicron variant in the world continue to affect economic performances. More so in China where COVID-19 have led to large scale of lockdown in various major cities, while mainland property market credit crunch crisis escalated further in the year and led to huge sell off in the mainland property counters at one point. Hang Seng Index (“HSI”) dropped from level of 23,397 at the end of 2021 to 14,687 at end of October, a 37.2% decrease at that moment.

Nonetheless, fourth quarter of 2022 turned out to be a completely opposite of the market trend since beginning of the year. Economic data released in US began to indicate inflation growth may have slowed down triggered a massive short covering as well as bargain hunting activities in big name stocks. Hong Kong and China markets catch on to the gigantic rally during the last two months with persisting rumor of China looking to open up its economy and relax its COVID-19 tightening measures. These set off a huge market rebound which saw HSI rallying some 5,000 points during November and December as big-name tech stocks like Tencent rebounded over 50% from year low level. For the year though, HSI remained down 15.5% to close at 19,781 while Hang Seng Tech Index dropped 27.2%. The Group recorded a net fair value losses on listed investments of approximately HK\$16,044,000 for the year ended 31 December 2022.

OUTLOOK

Market rally continues well into start of 2023 with most market indices enjoyed further gain in January. Looking ahead, we believe worldwide markets will continue to experience short and frequent volatile swings as bull/bear market cycle have shortened considerably compared to years before. Risk of recession fear in US Economy cannot be overlooked as there are currently no signs of rate hike coming to a halt, and of course led the million-dollar question of a soft or hard landing at the end. After three years, COVID-19 should finally become a non-event to the investor’s community. In terms of the Hong Kong and China market, after the epic rebound over the past few months, we believe related indices will likely entering into consolidation stage where market shift their focus to identify individual sectors and stocks that remain undervalued. As usual, the Group will constantly monitor the market changes and explore listed and unlisted investment opportunities in aim to enhance investment return for shareholders of the Company.

FINANCIAL REVIEW

As at 31 December 2022, the carrying value of the Group's listed equity investments was approximately HK\$45,913,000 (2021: HK\$25,764,000) while carrying value of the Group's unlisted equity investment was nil (2021: nil).

The Group recorded sales proceeds from disposals of trading listed equity securities of approximately HK\$57,553,000 (2021: HK\$22,457,000) for the year ended 31 December 2022. The realised losses and unrealised losses on financial assets at FVTPL for the year ended 31 December 2022 were approximately HK\$10,396,000 (2021: HK\$33,334,000) and HK\$5,648,000 (2021: HK\$12,249,000) respectively. Loss for the year was approximately HK\$20,502,000 (2021: HK\$51,597,000) which was mainly attributable to the operating expenses and equity investments losses.

EQUITY INVESTMENTS

As at 31 December 2022, the Group held financial assets at FVTPL of approximately HK\$45,913,000. Listed below are the particulars of the Group's major listed equity securities:

Name of investees	As at 31 December 2022						For the year ended 31 December 2022					
	Number of shares ('000)	Approximate percentage of interest held	Cost (HK\$'000)	Market prices (HK\$)	Market value/fair value (HK\$'000)	Approximate percentage of investment attributable to the Group's net assets	Dividend received (HK\$'000)	Dividend cover	Sales proceeds (HK\$'000)	Realised gain/(loss) (HK\$'000)	Unrealised gain/(loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)
a) China Carbon Neutral Development Group Limited (1372) ("China Carbon")	4,700	1.47%	14,972	2.480	11,656	17.11%	—	N/A	—	—	(3,316)	(3,316)
b) Smart City Development Holdings Limited (8268) ("Smart City")	9,952	4.15%	8,001	0.770	7,663	11.25%	—	N/A	—	—	(338)	(338)
c) Silver Tide Holdings Limited (1943) ("Silver Tide")	5,000	Less than 1%	5,410	0.940	4,700	6.90%	—	N/A	—	—	(710)	(710)
d) Hong Kong Education (Int'l) Investments Limited (1082) ("Hong Kong Education")	2,400	Less than 1%	3,991	1.780	4,272	6.27%	—	N/A	—	—	281	281
e) Hing Ming Holdings Limited (8425) ("Hing Ming")	16,328	4.34%	18,099	0.245	4,000	5.87%	—	N/A	—	—	(1,959)	(1,959)
f) Miji International Holdings Limited (1715) ("Miji International")	33,820	2.25%	5,618	0.100	3,382	4.96%	—	N/A	143	8	(3,756)	(3,748)
g) Link-Asia International MedTech Group Limited (1143) ("Link-Asia")	55,000	4.55%	5,565	0.055	3,025	4.44%	—	N/A	—	—	(2,540)	(2,540)
h) Tracker Fund of Hong Kong (2800) ("Tracker HK")	100	Less than 1%	2,279	19.920	1,992	2.92%	65	167.02	1,985	(295)	(166)	(461)
i) AIA Group Limited (1299) ("AIA")	19	Less than 1%	1,512	86.800	1,649	2.42%	34	1.75	854	31	188	219
j) Tencent Holdings Limited (700) ("Tencent")	4	Less than 1%	1,672	334.000	1,336	1.96%	7	17.78	876	(217)	(259)	(476)
r) Other listed investments	N/A	N/A	6,024	N/A	2,238	3.28%	44	N/A	53,696	(9,923)	6,927	(2,996)
Total	N/A	N/A	73,143	N/A	45,913	67.38%	150	N/A	57,554	(10,396)	(5,648)	(16,044)

The realised and unrealised losses on listed investments amounted to approximately HK\$16,044,000 for the year ended 31 December 2022.

For the listed investments held as at 31 December 2022, the realised losses and unrealised losses were approximately HK\$390,000 and HK\$12,812,000 respectively. For those listed investments held but were sold during the year ended 31 December 2022, the realised losses and unrealised gains were approximately HK\$10,006,000 and HK\$7,164,000 respectively.

(a) China Carbon

China Carbon Neutral Development Group Limited is principally engaged in global carbon neutral business, civil engineering and construction business as well as carbon asset management business. The audited consolidated profit attributable to owners of China Carbon for the year ended 31 December 2021 was approximately HK\$267,651,000. As at 31 December 2021, the audited consolidated net asset value attributable to owners of China Carbon was HK\$86,874,000.

The Investment Committee noted that China Carbon commenced their global carbon business in early 2021 as various countries in the world like China are vigorously promoting related policies and they have also ceased loss making operations such as automotive engine business. China Carbon will continue to develop their carbon asset projects for business partners and carry out CCUS project for its client.

The Investment Committee considered that China Carbon financial position have strengthen significantly with the raising of funds and this should be beneficial to them in expanding Carbon neutral business, as the Company aims to promote carbon neutral business and eco-friendly awareness to the whole society all walks of life as well as to promote the implementation of carbon neutrality and contribute to the global response to climate change.

(b) Smart City

Smart City is principally engaged in the activities of construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses. Their other business include investment in securities, property investment as well as money lending. The audited consolidated profit attributable to owners of Smart City for the year ended 31 March 2022 was approximately HK\$15,336,000. As at 31 March 2022, the audited consolidated net asset value attributable to owners of Smart City Development was approximately HK\$130,371,000.

The Investment Committee noted that the revenue of Smart City for its recent interim results decreased mainly because of the disposal of its Beijing project as well as lesser revenue recognition of its various almost completed projects, though the gross profit margin of its core business had improved over previous corresponding figure.

The Investment Committee believed that with the economic environment of China and Hong Kong are recovering and improving in 2023, it is expected that the development of the Group will remain stable with the resuming economic condition.

(c) Silver Tide

Silver Tide is principally engaged in providing construction services, including traditional formwork using timber and plywood, system formwork using aluminum and steel, ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong and business of securities dealing and broking. The audited consolidated loss attributable to owners of Silver Tide for the year ended 31 March 2022 was approximately HK\$33,844,000. As at 31 March 2022, the audited consolidated net asset value attributable to owners of Silver Tide was approximately HK\$211,142,000.

The Investment Committee noticed despite the drop in revenue for its recent interim results, the company's gross profit actually improved due to decrease in material and consumables costs from fewer usage of construction materials and consumables, as well as decrease in the subcontracting charges due to the effectiveness of project management on certain projects commenced. Trade receivables figure also improved significantly during interim results of 2022.

The Investment Committee believe the company's optimism toward current HKSAR government vision and determination to increase land supply in medium to long term that should provide ample opportunities for the group is valid, as Silver Tide should be able to select projects prudently and future profitability will strive on how efficient they can improve their operating efficiency.

(d) Hong Kong Education

Hong Kong Education is principally engaged in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses. The audited consolidated loss attributable to owners of Hong Kong Education for the year ended 30 June 2022 was approximately HK\$32,892,000. As at 30 June 2022, the audited consolidated net asset value attributable to owners of Hong Kong Education was approximately HK\$145,801,000.

The Investment Committee noticed that the losses were mainly attributable to one time events such as one off equity settled share-based transaction, as well as impairment losses on investment and receivables.

The Investment Committee believed that with the complete easing of COVID-19 lockdown measures, in person tutoring businesses in Hong Kong should enjoy a substantial rebound over the past few years level and should be beneficial to Hong Kong Education. Their acquisition of new business segment of virtual reality business should complement their core operation as well with younger generation more adapt to the online VR scope of tutoring and related entertainment.

(e) Hing Ming

Hing Ming is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts. The audited consolidated loss attributable to owners of Hing Ming for the year ended 31 March 2022 was approximately HK\$3,035,000. As at 31 March 2022, the audited consolidated net asset value attributable to owners of Hing Ming was approximately HK\$121,354,000.

The Investment Committee noticed that from its recent interim results, both Hing Ming revenue and profit improved due to increase in income generated from tower crane rental and related services.

The Investment Committee also noted that Hing Ming action utilizing its scheme to buy back 6% of its share capital may be an encouraging sign by their management to demonstrate to the investment community of their view of the depressed share price. With local government aim to boost the land bank continuously, demand for working platforms and tower cranes should remain strong in the years to come.

(f) Miji International

Miji International is principally engaged in developing, manufacturing and selling premium kitchen appliances in the PRC. The audited consolidated loss attributable to owners of Miji International for the year ended 31 December 2021 was approximately Renminbi (“RMB”) 44,353,000. As at 31 December 2021, the audited consolidated net asset value attributable to owners of Miji International was approximately RMB124,268,000.

The Investment Committee noted that Miji International businesses continue to suffer during first half of 2022 due to new waves of COVID-19 in China, in which various lockdown measures implemented affected their core businesses to a large extent and let to continuous losses in first half.

The Investment Committee hoped that with China entering into a completely new phase in 2023 where most if not all lockdown measures are lifted, Miji International will see its business growth gradually picking up and return to profitability at some point.

(g) Link-Asia

Link-Asia International MedTech Group Limited is a value-added service provider and electronics manufacturer focused on the “Belt and Road” cross-border supply chain, particularly integrates upstream and downstream resources around the value-added services of the targeted industry supply chain, and selects key countries and cities along the Belt and Road route with high economic growth and high market development for strategic planning. The audited consolidated loss attributable to owners of Link-Asia for the year ended 31 December 2021 was approximately HK\$46,397,000. As at 31 December 2021, the audited consolidated net asset value attributable to owners of Link Asia was approximately HK\$365,877,000.

The Investment Committee noted that Link-Asia’s operation continue to suffer in first half of 2022 because of lingering adverse effect from COVID-19 and drove their revenue and gross profit downward.

The Investment Committee believed that the China’s liberalization of fertility policies to encourage people to have three children is positive to Link-Asia in the long run as demand toward high-end medical and health service business should enjoy gradual and steady growth in the coming years, as they have embraced a dual approach to drive faster and steadier revenue growth.

(h) Tracker HK

Tracker HK is an exchange-traded fund designed to provide investment results that closely correspond to the performance of HSI.

The Investment Committee noted that after a sustaining downtrend of Hong Kong market that continued for first ten months of 2022, HSI finally enjoyed a substantial rebound from the low level at end of October and the Group’s losses in this counter have been greatly reduced from the market rebound. As stated before, Tracker HK remain as the most cost-efficient vehicle for the Company to gain exposure in the Hong Kong blue chip sector.

The Investment Committee is of the opinion that Hong Kong market should enjoy further gradual rally in 2023 and therefore will continue to monitor our holdings in Tracker HK closely and make suitable investment decision based on the market trend.

(i) AIA

AIA is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across Asia, including the mainland of China, Hong Kong, Singapore, Thailand etc, serving the holders of over 40 million individual policies and 17 million members of Group insurance schemes. The audited consolidated profit attributable to owners of AIA for the year ended 31 December 2021 was approximately US Dollars (“US\$”) 7,427 million. As at 31 December 2021, the audited consolidated net asset value attributable to owners of AIA was approximately US\$60,467 million.

The Investment Committee noted that despite of the adverse impact from COVID-19, AIA delivered resilient performance in the first half of 2022 and management decision to raise its interim dividend by 6% clearly reflects their relatively bullish view in the long run. Company’s steady action to buy back its shares also is a good sign to the investors in general.

The investment Committee considered that AIA is one of the best performing blue chips during the recent market rally and continue well into 2023. As a result, barring sudden macro market changes or major events, we consider AIA as one of our core holdings and will retain certain holdings while some portion may be used as short term trading or hedging purpose through derivative means.

(j) Tencent

Tencent is a world-leading internet and technology company that develops innovative products and services to improve the quality of life of people around the world. Tencent also publishes some of the world’s most popular video games and other high-quality digital content, enriching interactive entertainment experiences for people around the globe. Tencent also offers a range of services such as cloud computing, advertising, financial technology, and other enterprise services. The audited consolidated profit attributable to owners of Tencent for the year ended 31 December 2021 was approximately RMB224,822 million. As at 31 December 2021, the audited consolidated net asset value attributable to owners of Tencent was approximately RMB806,299 million.

The Investment Committee noted that Tencent had adapted to the heavier regulatory environment very well and worst should be over. Tencent decision to declare Meituan as special dividend is also a good move for the company to unlock the hidden investment value that should be reflected in the share price performances.

The Investment Committee considered similar to AIA, Tencent remains as a market leader and indicator in the blue chip sector and share price performance since end of October 2022 certainly prove such fact. Therefore, we intend to hold certain portion of Tencent as long term investment while allocating some small percentage for short term trading in trying to take advantage of price fluctuation to enhance our return.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2022, the Group maintained cash and cash equivalents of approximately HK\$22,933,000 (2021: HK\$21,125,000) which were mainly denominated in Hong Kong dollars (“HK\$”). The Group will monitor the exposure and take prudent measures when necessary.

As at 31 December 2022 and 31 December 2021, the Group had no interest-bearing liabilities, and therefore the Group did not present the gearing ratio which represents the ratio of the Group’s total interest-bearing liabilities to the total equity of the Group.

As at 31 December 2022, the Group had net assets of approximately HK\$68,137,000 (2021: HK\$46,522,000), the Group had no borrowings or long-term liabilities except for the lease liabilities.

CAPITAL STRUCTURE

As at 31 December 2022, the Company’s total issued shares was 173,448,741 of HK\$0.04 each (2021: 231,264,988 of HK\$0.2 each). The Group had no debt securities or other capital instruments as at 31 December 2022.

- (a) On 23 April 2021, the Company entered into a placing agreement with Orient Securities Limited (“Orient”) as placing agent where Orient agreed to place on a best effort basis a maximum of 385,000,000 new shares of the Company (“Placing Share”) of HK\$0.02 each at HK\$0.047 per Placing Share to at least six placees who were professional investors according to the definition of the SFO (collectively “Placing”). The intended and actual use of proceeds from the share placement was for general working capital of the Company and potential investments to be identified. The placing transaction was completed on 14 May 2021 and a total of 385,000,000 shares were issued. The gross and net proceeds were approximately HK\$18,100,000 and HK\$17,600,000 respectively. The net price was approximately HK\$0.046 per Placing Share.
- (b) On 12 July 2021, the Board of the Company announced to propose that every ten (10) issued and unissued shares of par value of HK\$0.02 each in the share capital of the Company be consolidated into one (1) consolidated share of par value of HK\$0.20 each. On 12 July 2021, there were 2,312,649,882 existing shares in issue which were fully paid or credited as fully paid, upon the share consolidation becoming effective, there will be 231,264,988 consolidated shares in issue which are fully paid or credited as fully paid. On 12 July 2021, the existing shares were traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in board lots of 20,000 existing shares. It was proposed that, subject to the share consolidation becoming effective, the board lot size for trading on the Stock Exchange be changed from 20,000 existing shares to 10,000 consolidated shares.

On 20 August 2021, the Board announced that the proposed ordinary resolution was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 20 August 2021 to consider the ordinary resolution to be proposed to approve the share consolidation. The Board announced that all the conditions precedent to the share consolidation have been fulfilled and the share consolidation became effective on 24 August 2021.

- (c) On 27 January 2022, The Company proposed capital reduction on issued shares (“Capital Reduction”), share premium reduction (“Share Premium Reduction”) and subs-division of unissued shares (“Sub-division”), with the following details:
- (i) the Capital Reduction involving the reduction of the par value of each issued share from HK\$0.20 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.19 per issued share so that following such reduction, each issued share with a par value of HK\$0.01 in the share capital of the Company shall become one new share; and
 - (ii) the Share Premium Reduction involving the reduction of the amount standing to the credit of the Share Premium Account. The credit arising from the Capital Reduction and the Share Premium Reduction will be applied towards offsetting the Accumulated Losses as at the effective date of the Capital Reduction, thereby reducing the Accumulated Losses. The balance of the credit (if any) of the Share Premium Account after offsetting the Accumulated Losses may be applied by the Company in any manner as permitted by all applicable laws and the memorandum and articles of association of the Company.

An extraordinary general meeting has been held on 15 March 2022 and the above resolutions have been duly passed. A petition has been made for the Capital Reduction to the Grand Court of the Cayman Islands (“Court”), and the hearing of the Company’s petition for the Capital Reduction was held on 15 July 2022 before the Court and the Court made an order confirming the Capital Reduction. All the other conditions precedent for the implementation of the Capital Reduction, the Share Premium Reduction and the Sub-division have been fulfilled. The Capital Reduction, the Share Premium Reduction and the Sub-division became effective on 25 July 2022.

- (d) On 28 July 2022, the Company put forward a proposal to the shareholders to effect the share consolidation which involves the consolidation of every four issued and unissued Existing Shares of HK\$0.01 each into one consolidated share (“Consolidated Share(s)”) of HK\$0.04 each (“Share Consolidation”). And the Company further proposes, subject to, amongst others, the Share Consolidation becoming effective, to implement the rights issue on the basis of two shares (“Right Share(s)”) for every one consolidated share held on the record date for the determination of the entitlements under the Rights Issue (“Record Date”) at the subscription price of HK\$0.38 per Rights Share (“Rights Issue”), to raise gross proceeds of approximately HK\$43.9 million before expenses (assuming no further issue or repurchase of shares on or before the Record Date), by way of the Rights Issue of 115,632,494 Rights Shares to the qualifying shareholders.

On 19 September 2022, the Board announced that the proposed ordinary resolution was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 19 September 2022 to consider the ordinary resolution to be proposed to approve the Share Consolidation and Rights Issue. The Board announced that all the conditions precedent to the Share Consolidation and Rights Issue have been fulfilled and the share consolidation became effective on 21 September 2022 and the Company issued 115,632,494 Consolidated Shares on 27 October 2022. For details of the Rights Issue, please make reference to the announcement of the Company dated 26 October 2022 and the Rights Issue prospectus issued and published by the Company on 3 October 2022.

USE OF PROCEEDS FROM RIGHTS ISSUE

The gross proceeds raised from the Rights Issue are approximately HK\$43.9 million and the net proceeds from the Rights Issue after expenses are approximately HK\$42.1 million. The Company applies HK\$26.9 million, being the approximately 63.9% of the net proceeds, for investment in listed securities and unlisted securities, and approximately HK\$1.0 million, being approximately 2.4% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

The remaining net proceeds from the Rights Issue after expenses are approximately HK\$14.2 million, being approximately 33.7% of the net proceeds. The Company intends to apply HK\$10.1 million, being approximately 23.9% of the net proceeds, for investment in listed securities and unlisted securities, and approximately HK\$4.1 million, being approximately 9.8% of the net proceeds, for general working capital of the Company before 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Realised losses and unrealised losses on financial assets at FVTPL

The realised gains and unrealised gains on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2022 to the date of approval of this results announcement were amounted to approximately HK\$3,218,000 and HK\$345,000 respectively.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save for the acquisition dated 25 March 2022 and disposal of the subsidiaries dated 1 April 2022 entered into by the Group with two different independent third parties, in relation to the acquisition of the entire issued share capital of Income Sky Limited and disposal of the entire issued share capital of China Finance Qianhai Limited respectively, the Group did not have any significant merger, acquisition or disposal during the year ended 31 December 2022.

EMPLOYEE BENEFITS

As at 31 December 2022, the Group had 2 employees. Total employee benefits expenses (excluding Directors' emoluments) and Directors' emoluments for the year ended 31 December 2022 were approximately HK\$838,000 (2021: HK\$1,273,000) and HK\$963,000 (2021: HK\$1,454,000) respectively. For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately HK\$48,000 have been offset to the employee benefits expense. The remuneration policy of the Group is reviewed annually and employees are remunerated based on their performance, experience and the prevailing market practice. No Director or executive is involved in dealing with his own remuneration.

In addition to salary payments, the Group has participated in the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of each employee's monthly relevant income subject to a monthly maximum amount of HK\$1,500.

CHARGES ON GROUP'S ASSETS

As at 31 December 2022 and 31 December 2021, there were no charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

During the year, the investments of the Group were mainly denominated in HK\$. Therefore, there was no material foreign exchange exposure to the Group.

CONTINGENT LIABILITIES

During the year, there were no contingent liabilities noted by the Directors (2021: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the significant investments of the Group are included in the Group's investments under the section headed "Equity Investments" in this results announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of The Corporate Governance Code And Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

During the year ended 31 December 2022, the Company was in compliance with the code provisions set out in the CG Code except for the deviation from code provision C.2.1. Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The office of the chairman of the Board is currently vacant that the roles and duties of which are assumed by the Board. The executive Director is responsible for day-to-day management of business. Therefore, a clear division of responsibilities is in place and a balance of power and authority is ensured.

Save as aforesaid and in the opinion of the Directors of the Company, the Company was in compliance with the code provisions set out in the CG Code.

AUDIT COMMITTEE

The Audit Committee (the “Audit Committee”) was established on 7 October 2002. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Hui Yat On (chairman of the Audit Committee), Mr. Lam Wai Tsin and Mr. Chan Pak Lam, Tom.

The terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee shall meet the external auditor to discuss any area of concern during the audit or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of standards, but also on the Listing Rules and the legal requirements in the review of the Group’s interim and annual reports.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2022.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, RSM Hong Kong, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by RSM Hong Kong 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 HKICPA and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

For and on behalf of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Lui Cheuk Hang Henri
Executive Director

Hong Kong, 24 February 2023

As at the date of this announcement, the board of Directors of the Company comprises Mr. Lui Cheuk Hang Henri as executive Director, Mr. Lam Wai Tsin, Mr. Hui Yat On and Mr. Chan Pak Lam, Tom as independent non-executive Directors.