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## 2023 ANNUAL RESULTS ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 and the comparative figures for last year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	4		
Contracts with customers		45,858	62,604
Leases		5,825	4,699
Interest under effective interest method		1,019	4,435
Total revenue		52,702	71,738
Cost of revenue		(34,933)	(47,476)
Gross profit		17,769	24,262
Other income	6	1,826	1,017
Other expenses		–	(203)
Other gains and losses	6	(12,908)	5,573
Administrative expenses		(48,162)	(55,991)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	7	(2,310)	(50)
Write-down of inventories		–	(7,196)
Share of results of associates		2,898	1,571
Finance costs		–	(15)
Loss before taxation from continuing operations		(40,887)	(31,032)
Income tax credit/(expense)	8	479	(617)

	<i>NOTES</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000 (Restated)
Loss for the year from continuing operations	<i>9</i>	<b>(40,408)</b>	(31,649)
<b>Discontinued operation</b>			
Profit for the period/year from discontinued operation	<i>19</i>	<u><b>3,112</b></u>	<u>75,262</u>
<b>(Loss)/profit for the year</b>		<u><b>(37,296)</b></u>	<u>43,613</u>
<b>(Loss)/profit for the period/year attributable to:</b>			
Owners of the Company			
– from continuing operations		<b>(40,408)</b>	(31,649)
– from discontinued operation		<u><b>1,807</b></u>	<u>38,677</u>
		<u><b>(38,601)</b></u>	<u>7,028</u>
Non-controlling interests			
– from continuing operations		–	–
– from discontinued operation		<u><b>1,305</b></u>	<u>36,585</u>
		<u><b>1,305</b></u>	<u>36,585</u>
		<u><b>(37,296)</b></u>	<u>43,613</u>
		<b>HK cents</b>	HK cents
<b>(Loss)/earnings per share</b>	<i>10</i>		
– From continuing and discontinued operations			
Basic		<u><b>(2.29)</b></u>	<u>0.42</u>
Diluted		<u><b>(2.29)</b></u>	<u>0.42</u>
– From continuing operations			
Basic		<u><b>(2.40)</b></u>	<u>(1.88)</u>
Diluted		<u><b>(2.40)</b></u>	<u>(1.88)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<u><b>(37,296)</b></u>	<u>43,613</u>
<b>Other comprehensive income/(expense), net of tax</b>		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity investment at fair value through other comprehensive income (“FVTOCI”)	<b>(11,623)</b>	(6,735)
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation to presentation currency	<b>(7,004)</b>	(15,926)
Translation reserve reclassified to profit or loss upon deemed disposal of subsidiaries	<b>6,871</b>	–
Share of other comprehensive income of associates	<u><b>(1,639)</b></u>	<u>(39)</u>
<b>Other comprehensive expense for the year, net of income tax</b>	<u><b>(13,395)</b></u>	<u>(22,700)</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><b>(50,691)</b></u>	<u>20,913</u>
<b>Total comprehensive (expense)/income for the year attributable to:</b>		
Owners of the Company	<b>(50,962)</b>	(12,631)
Non-controlling interests	<u><b>271</b></u>	<u>33,544</u>
	<u><b>(50,691)</b></u>	<u>20,913</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>54,659</b>	87,912
Investment properties		<b>135,768</b>	147,670
Goodwill		<b>25,556</b>	25,556
Interests in associates		<b>127,141</b>	98,526
Equity investments at FVTOCI	<i>12</i>	<b>61,000</b>	93,204
Finance lease receivables		–	4,116
Loan receivables	<i>14</i>	–	9,332
Restricted bank deposits		–	16,960
		<b>404,124</b>	483,276
<b>Current assets</b>			
Inventories		<b>19,401</b>	13,391
Finance lease receivables		–	47,246
Loan receivables	<i>14</i>	<b>10,000</b>	–
Trade receivables	<i>15</i>	<b>14,989</b>	14,379
Other receivables, deposits and prepayments	<i>16</i>	<b>20,977</b>	48,425
Financial assets at fair value through profit or loss ("FVTPL")	<i>13</i>	<b>4,008</b>	123,258
Deposits placed with non-bank financial institutions		<b>2</b>	3,217
Tax recoverable		<b>917</b>	–
Short-term bank deposits		–	30,000
Cash and cash equivalents		<b>28,413</b>	38,143
		<b>98,707</b>	318,059

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>30,841</b>	73,633
Deposits received from customers		–	2,262
Tax payables		<b>19,047</b>	20,829
Borrowings		–	152,645
		<u><b>49,888</b></u>	<u>249,369</u>
<b>Net current assets</b>		<u><b>48,819</b></u>	<u>68,690</u>
<b>Total assets less current liabilities</b>		<u><b>452,943</b></u>	<u>551,966</u>
<b>Capital and reserve</b>			
Share capital	<i>18</i>	<b>168,730</b>	168,730
Reserves		<u><b>284,213</b></u>	<u>335,175</u>
Equity attributable to owners of the Company		<b>452,943</b>	503,905
Non-controlling interests		–	<u>32,754</u>
<b>Total equity</b>		<u><b>452,943</b></u>	<u>536,659</u>
<b>Non-current liabilities</b>			
Deposits received from customers		–	13,510
Deferred tax liabilities		–	<u>1,797</u>
		–	<u>15,307</u>
		<u><b>452,943</b></u>	<u>551,966</u>

Notes:

## 1. GENERAL INFORMATION

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 Group are provision of finance lease and related consulting services in the People Republic of China (the “PRC”), trading of equity securities, investment in properties, investment holdings, manufacturing and sale of food additives and nutrient enhancers, sale of daily necessities, medical, health and hygiene products, and money lending business.

Items included in the financial statements of each of Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”). The Functional Currency of operating subsidiaries in Hong Kong and PRC are Hong Kong Dollars (“HK\$”) and Renminbi (“RMB”), respectively. The consolidated financial statements are presented in 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
HKAS 1	Amendments in relation to Disclosure of Accounting Policies
HKAS 8	Amendments in relation to Definition of Accounting Estimates
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12	Amendments in relation to International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Amendments in relation to Lease Liability in a Sale and Leaseback <sup>1</sup>
HKFRS 7 and HKAS 7	Amendments in relation to Supplier Finance Arrangements <sup>1</sup>
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current <sup>1</sup>
HKAS 1	Amendments in relation to Non-current Liabilities with Covenants <sup>1</sup>
HK-int 5	Amendments in relation to Amendments to HKAS 1 <sup>1</sup>
HKAS 21	Amendments in relation to Lack of Exchange ability <sup>2</sup>
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and investment properties which have been measured at fair value.

With reference to the Company’s announcement date 8 February 2024, the Group no longer had control over the group of companies comprised of Beijing Ever Grand International Financial Leasing Co. Limited (“BJEG”) and its subsidiaries (“BJEG Group”) on 31 July 2023. As a result, the financial results of BJEG Group for the period from 1 January to 31 July 2023 were deconsolidated from the consolidated financial statements for the year ended 31 December 2023 (the “Deconsolidation”) and have been accounted for as associates of the Company thereafter.

BJEG Group is responsible for the “Financing leasing segment” of the Group. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of BJEG Group for the period from 1 January to 31 July 2023 (“the Date of the Deconsolidation”) and its results, through investment in associates, for the remaining five months were presented under discontinued operation and continuing operations in the consolidated statement of profit or loss for the year ended 31 December 2023, respectively. The comparative figures for the discontinued operation for the 12-month period ended 31 December 2022 were restated in the same for the year ended 31 December 2022 accordingly to reflect the classification of the current year.

#### 4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers</b>		
Asset management advisory service fee income	<b>1,942</b>	28
Sale of		
– food additives and nutrient enhancers	<b>2,910</b>	2,130
– daily necessities, medical, health and hygiene products	<b>42,948</b>	60,474
	<u><b>47,800</b></u>	<u>62,632</u>
<b>Interest under effective interest method</b>		
Interest income from		
– finance lease receivables	<b>2,595</b>	6,020
– loan receivables	<b>1,019</b>	4,435
	<u><b>3,614</b></u>	<u>10,455</u>
<b>Leases</b>		
Rental income	<u><b>5,825</b></u>	<u>4,699</u>
Total revenue	<u><b>57,239</b></u>	<u>77,786</u>
<b>Representing</b>		
Continuing operations	<b>52,702</b>	71,738
Discontinued operation	<u><b>4,537</b></u>	<u>6,048</u>
	<u><b>57,239</b></u>	<u>77,786</u>



The revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

**Geographical information:**

The PRC	4,852	2,158
Hong Kong	<u>42,948</u>	<u>60,474</u>
<b>Revenue from contracts with customers</b>	<b><u>47,800</u></b>	<b><u>62,632</u></b>

**Timing of revenue recognition:**

At a point in time	45,858	62,604
Over time	<u>1,942</u>	<u>28</u>
<b>Revenue from contracts with customers</b>	<b><u>47,800</u></b>	<b><u>62,632</u></b>

Performance obligation for contracts with customers:

- (i) Revenue for the provision of asset management advisory services is recognised over time on time apportionment basis as those services are provided throughout the contract period at fixed consideration. Invoices are issued according to the agreed payment schedule and are usually payable within 0-5 days.
- (ii) Revenue for the sales of food additives and nutrient enhancers and sales of daily necessities, medical, hygiene and health products is recognised at a point in time when customers obtain control of the goods at the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 0-60 days.

**5. SEGMENT INFORMATION**

Information reported to the executive Directors, 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.

With reference to the Company’s announcement dated 8 February 2024, the results of the Group’s finance leasing operation for the period from 1 January 2023 to 31 July 2023 was treated and included in discontinued operation whereas the same has been included in the continuing operations as share of results of associate since the Date of the Deconsolidation. The segment information reported below does not include any amounts for the discontinued operation which is disclosed in note 19.

The definition of Financial Leasing Segment was modified in the current year to only encompass the share of associates' results conducted by the BJEG Group for the period from the Date of the Deconsolidation to 31 December 2023.

Specifically, the Group's reportable and operating segments from continuing operations under HKFRS 8 *Operating segments* are as follows:

- Financial leasing – provision of finance lease consulting services and financing services in the PRC through investment in an associate (“Financial Leasing Segment”)
- Investment – investment properties in the PRC and Hong Kong, investments in securities and money lending business in Hong Kong (“Investment Segment”)
- Distribution – sale of medical, health, hygiene products and daily necessities (“Distribution Segment”)
- Manufacturing – research and development, manufacturing and sale of food additives, new food ingredients and nutritional enhancers in the PRC (“Manufacturing Segment”)

The segment revenue and results in both years reported below only represented those under continuing operations while those under discontinued operation are set out in note 19.

### Segment revenues and results

The following is an analysis of the Group's revenue and results from the continuing operations by reportable segments.

#### For the year ended 31 December

	Continuing operations									
	Finance leasing		Investment		Distribution		Manufacturing		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)							(Restated)	
SEGMENT REVENUE										
At a point in time	-	-	-	-	42,948	60,474	2,910	2,130	45,858	62,604
From other source	-	-	6,844	9,134	-	-	-	-	6,844	9,134
	-	-	6,844	9,134	42,948	60,474	2,910	2,130	52,702	71,738
SEGMENT RESULTS	2,441	-	(8,524)	11,977	(4,960)	(7,147)	(4,569)	(7,588)	(15,612)	(2,758)
Unallocated other income, gains and losses									66	(740)
Unallocated corporate expenses									(25,798)	(29,025)
Unallocated other expenses and finance costs									-	(80)
Share of results of associates									457	1,571
Loss before taxation									(40,887)	(31,032)

All of the segment revenues reported above are from external customers.

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 gain or loss on deemed disposal of associates), share of results of associates (except for BJEG) and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

As a result of the aforementioned change in the current year, the assets and liabilities as of 31 December 2023 attributable to Financial Leasing Segment only represented those which were accounted for as associates following the Deconsolidation. The segment assets and liabilities as of 31 December 2022, which were held by the BJEG Group, were no longer considered part of the reportable and operating segment. Instead, they were restated as "Assets of discontinued operation" and "liabilities of discontinued operation" in the reconciliation from segment assets/liabilities to consolidated assets/liabilities. The following is an analysis of the Group's assets and liabilities by reportable segments.

#### At 31 December 2023

	Finance leasing		Investment		Distribution		Manufacturing		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)							(Restated)	
SEGMENT ASSETS	<u>30,090</u>	<u>-</u>	<u>210,918</u>	<u>227,809</u>	<u>64,857</u>	<u>66,909</u>	<u>54,527</u>	<u>55,773</u>	<u>360,392</u>	<u>350,491</u>
Interest in associates									97,051	98,526
Unallocated corporate assets									45,388	86,160
Assets of discontinued operation									-	266,158
CONSOLIDATED ASSETS									<u>502,831</u>	<u>801,335</u>
SEGMENT LIABILITIES	<u>-</u>	<u>-</u>	<u>10,463</u>	<u>15,132</u>	<u>5,478</u>	<u>1,133</u>	<u>3,398</u>	<u>391</u>	<u>19,339</u>	<u>16,656</u>
Unallocated corporate liabilities									30,549	36,690
Liabilities of discontinued operation									-	211,330
CONSOLIDATED LIABILITIES									<u>49,888</u>	<u>264,676</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

	Continuing Operations									
	Finance leasing		Investment		Distribution		Manufacturing		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
		(Restated)							(Restated)	
Amounts charged/(credited) in the measure of segment profit or loss or segment assets:										
Additions to property, plant and equipment	-	-	-	-	-	-	1,663	442	1,663	442
Depreciation of property, plant and equipment	-	-	1,310	1,310	-	-	3,793	3,070	5,103	4,380
Write-down of inventories	-	-	-	-	-	7,196	-	-	-	7,196
Write-off of trade receivables	-	-	-	-	490	-	-	-	490	-
Change in fair value of										
- financial assets at FVTPL	-	-	3,723	14,794	-	-	-	-	3,723	14,794
- investment properties	-	-	7,973	(16,923)	-	-	-	-	7,973	(16,923)
Interest income from loan receivables										
Impairment loss recognised on trade receivables and other receivables	-	-	-	50	2,276	-	34	-	2,310	50
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:										
Income tax (credit)/expense	-	-	-	-	(547)	617	68	-	(479)	617

## 6. OTHER INCOME, GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Interest income from:		
– Bank and non-bank financial institutions	1,656	344
– Other loan receivables	323	2,394
Dividend income	–	914
Government subsidies	–	624
Sundry income	1,724	244
	<u>3,703</u>	<u>4,520</u>
<b>Representing</b>		
Continuing operations	1,826	1,017
Discontinued operation	1,877	3,503
	<u>3,703</u>	<u>4,520</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other gains and (losses)</b>		
Fair value change on:		
– Financial assets at FVTPL	2,951	(27,677)
– Investment properties	(7,973)	16,923
Gain on disposal of property, plant and equipment	–	3,700
Loss on disposal of equity investments at FVTOCI	–	(1,594)
Loss on deemed disposal of associates	(691)	–
Write-off of trade receivables	(490)	–
Net foreign exchange loss	(31)	(255)
Net gain on derecognition of financial asset and financial liabilities at amortised cost ( <i>Note</i> )	–	169,425
	<u>(6,234)</u>	<u>160,522</u>
<b>Representing</b>		
Continuing operations	(12,908)	5,573
Discontinued operation	6,674	154,949
	<u>(6,234)</u>	<u>160,522</u>

*Note:* For the year ended 31 December 2022, the Directors, after taking into account the legal advice and the situation at that time including the result of the second court case in September 2022, determined that BJEG did not retain any contractual rights to the cash flows from a finance lease receivable with a net carrying amount as at 31 December 2021 of RMB82 million and the associated bank borrowing and other payable as at 31 December 2021 of RMB227.8 million. Taking all these into accounts, net gain of RMB145.8 million (HK\$169.4 million) was resulted for the year ended 31 December 2022.

## 7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reversal of impairment loss/(impairment loss) recognised on:		
– Trade receivables ( <i>Note 15</i> )	283	–
– Other receivables ( <i>Note 16</i> )	(3,859)	(50)
– Loan receivables ( <i>Note 14</i> )	–	(59,277)
– Finance lease receivables	<u>6,338</u>	<u>(2,906)</u>
	<u><b>2,762</b></u>	<u><b>(62,233)</b></u>
<b>Representing</b>		
Continuing operations	(2,310)	(50)
Discontinued operation	<u>5,072</u>	<u>(62,183)</u>
	<u><b>2,762</b></u>	<u><b>(62,233)</b></u>

## 8. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	81	782
PRC Enterprise Income Tax	<u>155</u>	<u>–</u>
	236	782
Over provision in prior years:		
Hong Kong Profits Tax	(628)	(165)
Deferred tax credit for current year	<u>(88)</u>	<u>(151)</u>
Income tax (credit)/expense for the year	<u><u>(480)</u></u>	<u><u>466</u></u>
<b>Representing</b>		
Continuing operations	(479)	617
Discontinued operation	<u>(1)</u>	<u>(151)</u>
	<u><u>(480)</u></u>	<u><u>466</u></u>

Under the two-tiered profits tax rates regime of Hong Kong Profits tax, the first HK\$2 million of the estimated assessable profits of a 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 2023 and 2022. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Group with certain tax concession, based on existing legislation, interpretation and practice in respect thereof. Under the Law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group’s PRC subsidiaries is 25% for both years.

## 9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging the following items:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000 (Restated)
Auditor's remuneration	<b>1,250</b>	1,680
Depreciation of property, plant and equipment	<b>602</b>	817
Depreciation of right-of-use assets	<b>4,501</b>	5,062
<b>Total depreciation</b>	<b>5,103</b>	5,879
Cost of inventories sold (included in cost of revenue)	<b>34,933</b>	47,476
Staff costs:		
Directors' and chief executive's emoluments	<b>12,531</b>	12,795
Other staff costs		
– Salaries and other benefits	<b>10,972</b>	14,311
– Discretionary bonus	<b>34</b>	268
– Retirement benefits scheme contributions	<b>972</b>	994
<b>Total staff costs</b>	<b>24,509</b>	28,368



## 10. (LOSS)/EARNINGS PER SHARE

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>(Loss)/profit</b>		
(Loss)/profit for the year attributable to owners of the Company	<b>(38,601)</b>	7,028
– From continuing operations	<b>(40,408)</b>	(31,649)
– From discontinued operation	<b>1,807</b>	38,677
	<b><u>1,807</u></b>	<b><u>38,677</u></b>
	<b>2023</b>	2022
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b><u>1,687,303</u></b>	<b><u>1,687,303</u></b>

Basic earnings per share from the discontinued operation is HK 0.11 cents per share (2022: HK 2.3 cents per share), based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK\$1,807,000 (2022: HK\$38,677,000) and the denominators used are the same as those detailed above.

The Company has no dilutive potential ordinary shares in issue during the current and prior year and, therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the years ended 31 December 2023 and 2022.

## 11. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2023, nor had any dividend been declared or proposed since the end of the reporting period (2022: Nil).

## 12. EQUITY INVESTMENTS AT FVTOCI

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unlisted investments:		
– Equity securities	<u>61,000</u>	<u>93,204</u>

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in Hong Kong and the PRC. In the opinion of the Directors, they were designated as equity investments at FVTOCI as the investments are held for long term strategic purposes and not expected to be realised within one year from the end of the year.

## 13. FINANCIAL ASSETS AT FVTPL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity and debt securities:		
– Hong Kong	4,008	7,708
– PRC	<u>–</u>	<u>51,131</u>
	4,008	58,839
Unlisted fund investments:		
– PRC	<u>–</u>	<u>64,419</u>
	<u>4,008</u>	<u>123,258</u>

The balance of HK\$64,419,000 as at 31 December 2022 represents the Group's interest in privately-offered unlisted fund investments established in the PRC.

As of 31 December 2022, all financial assets at FVTPL in the PRC were held by BJEG Group. As a result of the Deconsolidation, these were derecognised on the Date of the Deconsolidation. Please refer to note 20 for the deemed disposal of the subsidiaries.

## 14. LOAN RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Receivable from a sale-leaseback transaction ( <i>Note a</i> )	–	152,645
Trust loan receivables ( <i>Note b</i> )	–	11,593
Other loan receivables ( <i>Note c</i> )	<u>10,000</u>	<u>–</u>
	<b>10,000</b>	164,238
<i>Less: Impairment allowance</i>	<u>–</u>	<u>(154,906)</u>
	<b><u>10,000</u></b>	<b><u>9,332</u></b>
Analysed for reporting purposes as:		
Current assets	<b>10,000</b>	–
Non-current assets	<u>–</u>	<u>9,332</u>
	<b><u>10,000</u></b>	<b><u>9,332</u></b>

### *Notes:*

- (a) During the year ended 31 December 2019, the Group through BJEG entered into a sale-leaseback transaction agreement with a lessee, an independent third party, with gross amount of RMB135,000,000 which was guaranteed by related parties of the lessee and secured by the leased assets with interest bearing at a fixed interest rate of 9% per annum, and the loan became default on 8 January 2020. As at 31 December 2022, the lessee from a sale-leaseback transaction was under a reorganisation process, a final restructuring plan of which had been approved by its creditors and a provincial court and was in process of execution.

The Directors assessed the credit risk of the receivables from sale-leaseback transaction and made an impairment loss on lifetime ECLs of RMB51,000,000 (approximately HK\$59,277,000) recognised in profit or loss during the year ended 31 December 2022. As at 31 December 2022, the receivable from sale-leaseback transaction was fully impaired as the restructuring plan was still in process.

As a result of the Deconsolidation, the associated receivables were derecognised on the Date of the Deconsolidation. Please refer to note 20 for the deemed disposal of the subsidiaries.

- (b) As at 31 December 2022, the Group's subsidiary had provided loan receivables with a total principal amount of RMB10,253,000 equivalent to approximately HK\$11,593,000 to certain sizeable corporations in the PRC through financial institutions in the PRC. Such loan receivables carried fixed interest rates ranging from 6.7% to 7.5% per annum with specified date of maturities in January to June 2024. As a result of the Deconsolidation, the associated loan receivables were derecognised on the Date of the Deconsolidation. Please refer to note 20 for the deemed disposal of the subsidiaries.
- (c) Such loan receivables have a fixed interest rate of 10% per annum and the maturity date is April 2024.

The movements in impairment allowance of loan receivables are as follows:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of the year	<b>154,905</b>	105,513
Amounts recognised during the year, net ( <i>Note 7</i> )	–	59,277
Deemed disposal of subsidiaries	<b>(149,727)</b>	–
Exchange realignment	<b>(5,178)</b>	(9,884)
	<u>–</u>	<u>154,906</u>

#### 15. TRADE RECEIVABLES

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Trade receivables from trading business	<b>15,456</b>	15,131
<i>Less:</i> Impairment allowance	<b>(467)</b>	(752)
	<u><b>14,989</b></u>	<u>14,379</u>

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

An ageing analysis of trade receivables net of impairment allowance as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0-30 days	<b>7,365</b>	5,427
31-90 days	<b>3,685</b>	2,474
91-270 days	<b>3,214</b>	2,191
Over 270 days	<b>725</b>	4,287
	<u><b>14,989</b></u>	<u>14,379</u>

The movements in impairment allowance on trade receivables are as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Balance at beginning of the year	<b>752</b>	752
Amounts reversed during the year ( <i>Note 7</i> )	<b>(283)</b>	–
Write-off as uncollectible	<b>(2)</b>	–
	<u><b>467</b></u>	<u>752</u>

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other receivables ( <i>Note a</i> )	14,969	41,131
Prepayments	1,354	4,918
Prepayments for purchases of goods	6,906	9,716
Deposits	231	965
Amount due from an associate ( <i>Note b</i> )	110	–
	<u>23,570</u>	<u>56,730</u>
<i>Less: Impairment allowance</i>	<u>(2,593)</u>	<u>(8,305)</u>
Total other receivables, deposits and prepayments	<u><u>20,977</u></u>	<u><u>48,425</u></u>

### Notes:

- (a) Included in other receivables as of 31 December 2023 represented an other receivable of HK\$12,804,000 (as of 31 December 2022: HK\$14,054,000) from an independent supplier of the Distribution Segment. The balance initially arose from prepayments made for supplies of goods which the supplier was unable to deliver.

In March 2023, the Group and the supplier entered into a deed of settlement whereby the supplier agreed and its sole owner guaranteed to repay the outstanding balance in next twelve months. Up to the date of this announcement, further repayment of HK\$2,650,000 have been received and a Director provided a personal guarantee to it in favour of the Group.

- (b) The amount is unsecured, interest free and repayable on demand.

The movements in impairment allowance on other receivables and deposits are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	8,305	8,957
Amounts recognised during the year ( <i>Note 7</i> )	3,859	50
Amounts written-off during the year	(50)	–
Amounts derecognised upon the Deconsolidation	(9,212)	–
Exchange realignment	(309)	(702)
Balance at end of the year	<u><u>2,593</u></u>	<u><u>8,305</u></u>

## 17. TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,697	–
Accruals	9,079	11,643
Interest payables ( <i>Note a</i> )	–	41,138
Receipt in advance ( <i>Note b</i> )	10,456	14,957
Other payables	4,298	5,895
Amount due to an associate ( <i>Note c</i> )	2,311	–
	<u>30,841</u>	<u>73,633</u>

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates, as at the end of reporting period:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	4,109	–
31-90 days	95	–
91-270 days	440	–
Over 270 days	53	–
	<u>4,697</u>	<u>–</u>

### *Notes:*

- (a) As at 31 December 2022, the balances mainly represent accrued interest cost of one borrowing owed by BJEG in which the leveraged lease transactions were defaulted. As a result of the Deconsolidation, the associated interest payables were derecognised on the Date of the Deconsolidation. Please refer to note 20 for the deemed disposal of the subsidiaries.
- (b) As at 31 December 2023, the balance of HK\$10,010,000 (2022:HK\$14,435,000) mainly represents rental payment received in advance from leasee for a lease of a 3 years period as stated in the agreement.
- (c) The amount is unsecured, carries a fixed interest rate of 4.762% per annum and repayable in December 2024.

## 18. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.1 each '000</b>	<b>Nominal value HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,687,303</u>	<u>168,730</u>

## 19. DISCONTINUED OPERATION

With reference to the Company's announcement dated 8 February 2024, the result of its financial leasing business consisting of BJEG Group for the period from 1 January 2023 up to 31 July 2023 (i.e. the time of the deemed disposal) were presented as discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2023, and the comparative figures were also restated to reflect the classification of the current year.

The profit for the period/year from the discontinued operation is analysed as follows:

	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>
Profit from discontinued operation	<b>2,683</b>	75,262
Gain on deemed disposal of subsidiaries	<u>429</u>	<u>–</u>
	<u><b>3,112</b></u>	<u>75,262</u>



The results of the discontinued operation for the period from 1 January 2023 to 31 July 2023 and the comparative figures for last year from 1 January 2022 to 31 December 2022, which have been included in the consolidated statement of profit or loss, are as follows:

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Revenue</b>	<i>4</i>		
Contracts with customers		<b>1,942</b>	28
Interest under effective interest method		<b>2,595</b>	6,020
		<hr/>	<hr/>
<b>Total revenue</b>		<b>4,537</b>	6,048
Cost of revenue		<b>(8,948)</b>	(16,026)
		<hr/>	<hr/>
<b>Gross loss</b>		<b>(4,411)</b>	(9,978)
Other income	<i>6</i>	<b>1,877</b>	3,503
Other expenses		<b>(44)</b>	(198)
Other gains and losses	<i>6</i>	<b>6,674</b>	154,949
Administrative expenses		<b>(6,447)</b>	(10,982)
Reversal of/(impairment losses) under ECL model, net of reversal	<i>7</i>	<b>5,072</b>	(62,183)
Finance costs		<b>(39)</b>	–
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>2,682</b>	75,111
Income tax credit	<i>8</i>	<b>1</b>	151
		<hr/>	<hr/>
<b>Profit for the period/year</b>		<b>2,683</b>	75,262
		<hr/> <hr/>	<hr/> <hr/>

Profit for the period/year from discontinued operation has been arrived at after charging the following items:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>416</b>	629
Depreciation of right-of-use assets	<b>1,933</b>	871
Total depreciation	<b>2,349</b>	1,500
Interest expenses (included in cost of revenue)	<b>8,294</b>	14,863
Staff costs:		
Directors' and chief executive's emoluments	<b>451</b>	1,151
Other staff costs		
– Salaries and other benefits	<b>1,690</b>	2,769
– Discretionary bonus	–	1,461
– Retirement benefits scheme contributions	<b>253</b>	525
Total staff costs	<b>2,394</b>	5,906

## 20. DEEMED DISPOSAL OF SUBSIDIARIES

With reference to the Company's announcement dated 8 February 2024, the Group no longer had control over the group of companies comprised of BJEG and its subsidiaries on 31 July 2023. The assets and liabilities of the BJEG Group on the date of deemed disposal and the calculation of the gain arising thereon were as follows:

	<i>HK\$'000</i>
Right-of-use assets	28,426
Property, plant and equipment	1,912
Equity investments at FVTOCI	19,891
Finance lease receivables	51,313
Restricted bank deposits	16,394
Loan receivables	10,318
Other receivables, deposits and prepayments	32,114
Financial assets at FVTPL	105,431
Deposits placed with non-bank financial institutions	2,163
Cash and cash equivalent	572
Other payables and accruals	(46,759)
Tax payable	(981)
Lease liabilities	(2,395)
Borrowings	(147,542)
Deposits received from customers	(15,586)
Deferred tax liabilities	(1,678)
	<hr/>
Net assets disposed of	53,593
Release of translation reserve upon derecognition	6,871
Reversal of non-controlling interest upon derecognition	(33,025)
Gain on deemed disposal of subsidiaries	429
	<hr/>
The deemed consideration – interest in associates	27,868
	<hr/> <hr/>
Net cash flow arising on disposal	
Cash and cash equivalents of the subsidiaries disposed of	(572)
	<hr/>
	<hr/> <hr/>

## 21. COMPARATIVE FIGURES

Save as note 19 to the consolidated financial statements and elsewhere in this announcement, certain comparative figures have been reclassified to conform to current year's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the year ended 31 December 2023 (“2023”), the Group’s revenue from continuing operations decreased by 26.5% to HK\$52.7 million as compared to that of HK\$71.7 million for the year ended 31 December 2022 (“2022”). The Group’s gross profit from continuing operations decreased by 26.8% to HK\$17.8 million in 2023 as compared to that of HK\$24.3 million in 2022 and net loss from continuing operations increased by 27.7% to HK\$40.4 million in 2023 as compared to that of HK\$31.6 million in 2022.

#### **Financial Leasing Segment**

According to the note 19 to the consolidated financial statements, the Group discontinued the result of this segment as subsidiaries for the first seven months of this year while it continues to operate as usual but its result is accounted for as associates. The shared profit of associates from the Financial Leasing Segment was recorded HK\$2.4 million in 2023, mainly arising from interest income from finance lease receivables and a fair value gain on financial assets at fair value through profit or loss. For the definition of segment profit or loss and detailed analysis, please refer to note 5 to the consolidated financial statements in this announcement.

#### **Investment Segment**

Revenue from the Investment Segment decreased by 25.1% to HK\$6.8 million in 2023 as compared to that of HK\$9.1 million in 2022. This segment recorded a net loss of HK\$8.5 million in 2023 as compared to a net profit of HK\$12.0 million in 2022. Such decrease in profit was mainly due to fair value loss on investment properties of HK\$8.0 million (2022: fair value gain of HK\$16.9 million) and the reduction in loan interest income in 2023.

## **Distribution Segment**

The Distribution Segment includes production, wholesale, distribution and trading of daily necessities, medical products, health products and hygiene products in Hong Kong. Its revenue decreased by 29.0% to HK\$42.9 million in 2023 as compared to that of HK\$60.5 million in 2022. Such decrease was mainly due to (i) a decrease in demand for products related to anti-epidemic measures as a result of the relaxation of mandatory masking policies and a decline in overall personal hygiene awareness and (ii) the highly competitive market for traditional Chinese medical products as well as a reduced supply of a traditional Chinese medical product by the manufacturer, further contributing to the slump in sales volume for these products. Its net loss decreased by 30.6% to HK\$5.0 million in 2023 as compared to that of HK\$7.1 million in 2022. Such decrease was mainly due to a decrease in the write-down of inventories to net realisable value which amounted to HK\$7.2 million in 2022.

## **Manufacturing Segment**

Manufacturing Segment has recently started manufacturing of healthy food such as meal replacements partly made of Chlamydonas Reininhardtii and other nutrients. During 2023, it recorded revenue of HK\$2.9 million (2022: HK\$2.1 million) and a net loss of HK\$4.6 million (2022: HK\$7.6 million). This segment did not have much sales during 2023 because it gradually was fading out the solid Sorbitol production and the sale of meal replacements has not picked up. The segment is working on construction of another brand new production line of healthy food products.

After taking into account of the corporate and other expenses and finance cost of HK\$25.8 million in 2023 (2022: HK\$29.0 million), a profit arising from share of results of associates in 2023 of HK\$0.5 million (2022: HK\$1.6 million), certain unallocated other income, gains and losses of HK\$66,000 in 2023 (2022: losses of HK\$0.7 million), income tax credit of HK\$0.5 million in 2023 (2022: expense of HK\$0.6 million), the Group recorded a net loss from continuing operations attributable to the owners of the Company of HK\$40.4 million (2022: HK\$31.6 million) and a net loss from continuing and discontinued operations HK\$37.3 million in 2023 (2022: net profit of HK\$43.6 million). An increase in a net loss from continuing operations was primarily due to, among others, an adverse change in fair value of investment properties of approximately HK\$25 million. The turnaround result from the net profit from continuing and discontinued operations in 2022 to the net loss in 2023 was mainly due to a one-off net gain on derecognition of financial assets and financial liabilities at amortised cost of HK\$169.4 million recorded in 2022 under the discontinued operation.

## **Revenue and gross profit**

The Group's revenue from continuing operations decreased by 26.5% to HK\$52.7 million in 2023 as compared to that of HK\$71.7 million in 2022. The revenue from the sale of daily necessities, medical products, health products and hygiene products decreased by 29.0% to HK\$42.9 million in 2023 as compared to that of HK\$60.5 million in 2022. Such decrease was mainly due to (i) the decrease in demand for COVID-19 related products, such as masks, hand sanitizers, disinfectants as well as COVID-19 testing kits and (ii) the decrease in sales of traditional Chinese medical product. Sale of food additives and nutrient enhancers increased by 36.6% to HK\$2.9 million in 2023 as compared to that of HK\$2.1 million in 2022. Interest income from loan receivables decreased by 77.0% to HK\$1.0 million in 2023 as compared to that of HK\$4.4 million in 2022. The decrease was in line with decrease in money lending during the year. Rental income from investment properties in the PRC was increased 24.0% to HK\$5.8 million in 2023 as compared to that of HK\$4.7 million in 2022.

The Group's gross profit from continuing operations decreased by 26.8% to HK\$17.8 million in 2023 as compared to that of HK\$24.3 million. Such decrease was in line with revenue decrease. The gross profit margin remained stable at 33.7% in 2023 and 33.8% in 2022.

## **Other income**

Other income from continuing operations of HK\$1.8 million in 2023 (2022: HK\$1.0 million) was mainly from interest income from fixed bank deposits and highly liquid wealth management investments issued by non-bank financial institutions in the PRC.

## **Other gains and losses**

Other gains and losses from continuing operations in 2023 were a net loss of HK\$12.9 million (2022: net gain of HK\$5.6 million), mainly comprising of fair value losses on investment properties of HK\$8.0 million (2022: fair value gains of HK\$16.9 million), and fair value losses on financial assets at FVTPL of HK\$3.7 million (2022: HK\$14.8 million).

## **Administrative expenses and other operating expenses**

The Group's administrative and other operating expenses from continuing operations decreased by 14.0% to HK\$48.2 million in 2023 as compared to that of HK\$56.0 million. These mainly included staff costs (including directors and chief executive's emoluments) of HK\$24.5 million (2022: HK\$28.4 million), legal and professional fees, depreciation of property, plant and equipment and various administrative expenses.

## **Share of associates' results**

The share of results of associates amounted to a profit of HK\$2.9 million in 2023 as compared with that of HK\$1.6 million in 2022. The Group shared the result of BJEG Group amounting to a profit of HK\$2.4 million for the remaining five months of this year since it has become an associate upon the Deconsolidation. Moreover, the Group shared a profit of Top Insight of HK\$0.9 million (2022: HK\$0.2 million) and a loss of Simagi of HK\$0.5 million (2022: profit HK\$1.4 million).

## **Income taxation**

Income tax credit from continuing operations in 2023 was HK\$0.5 million (2022: expense of HK\$0.6 million), mainly comprising of provision for current tax of HK\$81,000 and HK\$68,000 in Hong Kong and the PRC, respectively and over provision for current tax in 2022 of HK\$0.6 million in Hong Kong.

## **Discontinued operation**

The results of BJEG Group were classified as discontinued operation upon Deconsolidation and presented as a single line item in the consolidated statement of profit or loss for 2022 and 2023. Net profit from discontinued operation for 2023 amounted to HK\$3.1 million (2022: HK\$75.3 million). Details of results of the discontinued operation are set out in note 19 to the consolidated financial statements.

## **FINANCIAL POSITION**

The total asset of the Group as at 31 December 2023 amounted to HK\$502.8 million, representing a decrease of HK\$298.5 million as compared with HK\$801.3 million as at 31 December 2022. The decrease in total asset was mainly due to the fact that the total assets of BJEG Group amounting to HK\$268.5 million was deconsolidated during 2023. The total liabilities of the Group as at 31 December 2023 amounted to HK\$49.9 million, representing a decrease of HK\$214.8 million as compared with HK\$264.7 million as at 31 December 2022. The decrease in total liabilities was mainly due to the fact that the total liabilities of BJEG Group amounting to HK\$214.9 million was deconsolidated during 2023.

The gearing ratios (which is calculated from the total liabilities over total asset) significantly decreased from 33.0% as at 31 December 2022 to 9.9% as at 31 December 2023. The improvement on gearing ratios was mainly due to a deleverage effect of the Deconsolidation on the Group. The current ratios (which is calculated from total current assets over total current liabilities) increased from 1.3 as at 31 December 2022 to 2.0 as at 31 December 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2023, the Group had cash and cash equivalents, restricted bank deposits, deposits placed with non-bank financial institutions and short-term bank deposits of approximately HK\$28.4 million as compared to HK\$88.3 million (of which HK\$17.0 million was pledged to the banks to secure bank borrowings granted to the Group for financial leasing business) as at 31 December 2022. As at 31 December 2023, the Group had no borrowings (2022: HK\$152.6 million which are due within one year of interest rates at 9.0%).

For the year under review, the Group has financed its operations with facilities provided by banks and other non-bank financial institutions and internally generated cash flows.

## **FOREIGN EXCHANGE EXPOSURE**

During the year ended 31 December 2023, 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 2023.



## 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 types of money lending services, namely (i) the financial leasing services in the PRC carried out by BJEG Group, previously classified as non-wholly owned subsidiaries but now associates upon Deconsolidation on 31 July 2023; and (ii) the loan financing services carried out by TF Advances Limited in Hong Kong. As a result of the Deconsolidation, the Group's exposure to credit risk has been significantly reduced.

Details of business model and internal control procedures of the financing business are presented in the 2023 annual report.

### TOP FIVE BORROWERS

The following table sets out the top five borrowers of the Group (only two borrowers in 2023) and the respective gross principal terms of finance lease receivables ("FL") and loan financing ("Loan"):

	Type of receivable	Interest rate, term, maturity and securities obtained	As at 31 December 2023		As at 31 December 2022	
			Principal Amount	Percentage to the total gross principal amount	Principal Amount	Percentage to the total gross principal amount
			HK\$'000		HK\$'000	
Gross:						
Customer 1	Loan	10% per annum, maturity in April 2024 and guaranteed by its shareholders	5,000	50%	–	–
Customer 2	Loan	10% per annum, maturity in April 2024 and guaranteed by its shareholder	5,000	50%	–	–
Customer 3 – Sanya	Loan	9% per annum, 1-year ended in Jan 2020, secured by leased aviation facilities and others and guaranteed by its holding company	–	–	152,645	68.8%
Customer 4	FL	11.15% per annum, 2 to 3 years ended in Nov 2023 and Aug 2024, secured by leased equipment and guaranteed by its former holding company	–	–	33,921	15.2%
Customer 5	FL	10.14% per annum, 2 years ended in Dec 2023, secured by leased equipment	–	–	7,915	3.6%
Customer 6	FL	6.69% per annum, 1 year ended in Nov 2023, secured by leased equipment	–	–	7,915	3.6%
Customer 7	FL	6.69% per annum, 1 year ended in Nov 2023, secured by leased equipment	–	–	7,915	3.6%
Others – treasury investment (Note 7)	Loan		–	–	11,593	5.2%
Total gross principal amount			10,000	100%	221,904	100%

## EXPECTED CREDIT LOSS (“ECL”) OF FINANCE LEASE AND LOAN RECEIVABLES

The following table sets out the details of ECL of finance lease and loan receivables:

	Type of receivable	ECL Stage for 2023 balance	Notes	As at 31 December 2023		As at 31 December 2022	
				Amount of Provision HK\$'000	Percentage to the total provision	Amount of Provision HK\$'000	Percentage to the total provision
<i>Less: Provision for impairment losses under ECL</i>							
Customer 1	Loan	1	<i>Note 1</i>	-	0.00%	-	-
Customer 2	Loan	1	<i>Note 2</i>	-	0.00%	-	-
Customer 3 – Sanya	Loan	3	<i>Note 3</i>	-	-	(152,645)	94.2%
Customer 4	FL	1	<i>Note 4</i>	-	-	(5,314)	3.2%
Customer 5	FL	1	<i>Note 5</i>	-	-	(1,583)	1.0%
Customer 6	FL	1	<i>Note 6</i>	-	-	(113)	0.1%
Customer 7	FL	1	<i>Note 6</i>	-	-	(113)	0.1%
Others – treasury investment ( <i>Note 7</i> )				-	-	(2,261)	1.4%
Total provision				-	0.00%	(162,029)	100%
Total net amount				<b>10,000</b>		<b>59,875</b>	

## **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”); (iv) forward-looking factor and (v) 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 to the highest stage 3 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 2022, 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\$35,826,000 were also guaranteed by related parties of customers and/or customers’ deposits.

*Notes:*

1. As at 31 December 2023, the ECL calculation is based on EAD of HK\$5 million, PD of 1.07%, LGD of 22.08%, forward-looking factor of 63.15% or Recovery Rate of 0.15% and discount factor of 1. The loan was newly granted in 2023 and no comparison with prior year can be made. No material ECL was provided by the Group during the year.
2. As at 31 December 2023, the ECL calculation is based on EAD of HK\$5 million, PD of 1.07%, LGD of 19.83%, forward-looking factor of 63.15% or and Recovery Rate of 0.13% and discount factor of 1. The loan was newly granted in 2023 and no comparison with prior year can be made. No material ECL was provided by the Group during the year.
3. As at 31 December 2022, the cumulative ECL amount of HK\$152.6 million is based on EAD of HK\$152.6 million, PD of 100% (i.e. default events were triggered in prior years), LGD of 100% or Recovery Rate of 0% and discount factor of 1.0. The ECL amount was fully provided because the loan was not received over 1 year and the compensation will not be receivable shortly after the current year end.
4. As at 31 December 2022, the cumulative ECL amount of HK\$5.3 million is based on EAD of HK\$33.9 million, PD of 35.3%, LGD of 52.6% or Recovery Rate of 47.4% and discount factor of 1. There was a slightly overprovision for ECL of approximately HK\$1.6 million because of the timing factor changed and Recovery Rate was increased.
5. As at 31 December 2022, the cumulative ECL amount of HK\$1.6 million is based on EAD of HK\$7.9 million, PD of 3.5%, LGD of 52.6% or Recovery Rate of 47.4% and discount factor of 1. There was a slightly overprovision for ECL of approximately HK\$0.4 million because of the timing factor changed.
6. As at 31 December 2022, the cumulative ECL amount of HK\$113,000 is based on EAD of HK\$7.9 million, PD of 3.5%, LGD of 52.6% or Recovery Rate of 47.4% and discount factor of 1. The receivable was newly acquired in 2022 and no comparison with prior year can be made.
7. 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 principal activities of the money lending business.

## **CHARGE OF ASSETS**

As at 31 December 2023, there was no charge on the asset (2022; the restricted bank deposits of HK\$17.0 million pledged to the banks and other non-bank financial institutions for facilities granted to the Group).

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group had no significant contingent liabilities (2022: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group had capital commitments of HK\$1.1 million (2022: Nil) for the acquisition of property, plant and equipment.

## **PROSPECT**

The Group primarily focus on its operations in the PRC and Hong Kong, making the economic, political, and social aspects of both jurisdictions crucial in determining its overall performance. Hong Kong's economy has shown steady recovery since the normal travel between Hong Kong and Mainland China resumed fully in early 2023. Encouraging trends have been observed in the retail, food and beverage, and local tourism sectors. Hong Kong government has actively revitalized those sectors by promoting local events and granting travel passes to more residents in selected mainland cities, aiming to attract more tourist to the city. These positive effects however may be mitigated by the outbound travel of local residents to the mainland, prevalence of e-commerce as well as sluggishness in the local property and stock markets.

In the PRC, economic challenges persist, including a sluggish real estate market, decreased consumer confidence, and tense geopolitical relations with Western countries, notably led by the USA. These factors contribute to a complex business environment. Nevertheless, alongside these challenges, there are also favorable business conditions and opportunities. The aging population in the PRC creates increased demand for health products, which the Group has been strategically focusing on. The PRC central bank's loosening of monetary policies benefits corporations by reducing costs and incentivizing investment and business expansion.

By carefully navigating through the intricacies of the regions, the Group can position itself to benefit from the resilience and dynamism of both the PRC and Hong Kong economies.

As to the Financial Leasing Segment, this segment will continue to operate as usual as associate of the Group. The Group will continue to explore possible ways to resolve the matter relating to the loss of control over the segment, including to liaise with another shareholder of the segment on the succession plan of the BJEG Board and will try to resolve this matter in an amicably manner. The Group will also continue to consult its PRC Lawyer and explore various legal measures to enforce and protect the Group's shareholders' rights in BJEG and to restore the Group's control. The Group may also realise the investment in the segment when suitable opportunity arises in order to clear up the uncertainties surrounding the outcome of the Group's continued negotiation with its another shareholder and enhance the Group's financial position.

As to the Investment Segment, the Group will stick to the 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 optimise its composition in order to strike a balance between a stable return and the necessary liquidity of the Group.

As to the Manufacturing Segment, the Group has made investments in a production line of healthy instant noodles. These noodles incorporate Chlamydomonas Reinhardtii Nutrition Powder as a key ingredient. The powder is rich in essential plant-based protein, dietary fiber, multi-vitamins, omega-3 fatty acid, polycarbohydrate and some indispensable minerals that humans may not absorb enough through diets such as Selenium and iron. It brings significant health values to customers who are concerned about blood sugar, blood pressure, lipid levels, cardiovascular and cerebrovascular health, as well as immunity issues. Moreover, it can aid in addressing common concerns such as bad low bowel, constipation, dry eyes, etc. The building up of relevant production line is in the progress and expected to be launched in second quarter of 2024. The product is target to be available in the market in second half 2024. Part of the products will be sold through our own platform in the Distribution Segment.

As to the Distribution Segment, it seeks to bolster the volume through product diversification, various distribution channels and widening customer base in different territories. Leveraging a wholesaler licence in proprietary Chinese medicines (“PCMs”), the Group seeks direct exclusive distributorship of PCMs with manufacturers to enhance profitability. The Group continued to deepen corporation with Top Empire International Limited (“TEI”) under TEI Framework Purchase Agreement on 10 January 2023 whereby the Group can secure stable supplies and thus is able to meet the scalable demand from the PRC market. It also puts the segment in an advantageous position to source some trendy and new products timely and in better terms. Leveraging the personal network and expertise in the industry, establishment of extensive distribution network of small and medium dispensaries in Hong Kong, the segment future looks promising and is considered as a growth impetus in the future. The Group will introduce more health and wellness products under its own brand, such as gastrointestinal medical products, probiotics products and NMN products.

According to the Company’s announcement on 22 March 2024, the Group and Dan Dan Group entered into Framework Agreement and Provision of Service Agreement. Dan Dan Group operate dispensaries business in Hong Kong and currently have six retails shops located in six different districts under the brand name “DanDanHealth”. In addition to the physical stores, Dan Dan Group also runs an online shop at [www.DanDanMall.com.hk](http://www.DanDanMall.com.hk) which provides delivery service to customers in Hong Kong and the PRC. This strategic move by the Group exemplifies our marketing strategy to enhance market presence and brand recognition for both the Group and the distributed products. The Group is actively expanding its distribution channels, both online and offline, and allocating more resources towards promotion and marketing expenses. The goal is to increase brand recognition, particularly for high-gross-profit (GP) products such as health and wellness products.

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. We will constantly evaluate the performance of each segment, assess the market trends and restructure our businesses accordingly.

## **SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS**

At 31 December 2023, the Group held the following significant investments with a value of 5% or more of the Group's total assets:

### **Investment I**

Nature:	Equity investment at fair value through other comprehensive income
Name of company:	Imgai Brokerage Limited ("Imgai Brokerage")
Principal businesses:	provision of brokerage securities dealing service, securities margin financing and asset management services. Imgai Brokerage holds Type 1, 2, 4, 5 and 9 regulated activities licensed by the SFC
Number of shares held:	55,500,000 (9.69%)
Investment cost:	HK\$74.3 million
Fair value as at 31 December 2023:	HK\$49.2 million (2022: HK\$54.9 million)
Size relative to the Group's total assets as at 31 December 2023:	9.8% (2022: 6.9%)
Performance during the year:	fair value loss of HK\$5.7 million (2022: HK\$0.8 million)
Investment strategy:	bring returns to the Group by dividends and capital growth

## Investment II

Nature:	Investment property
Address:	6 Units 3-storey industrial building located in 188 Xinjunhuan Road, Minhang District, Shanghai, the PRC
Principal business:	letting out for rental income
Investment cost:	RMB55.2 million
Fair value as at 31 December 2023:	HK\$56.1 million (2022: HK\$60.6 million)
Size relative to the Group's total assets as at 31 December 2023:	11.2% (2022: 7.6%)
Performance during the year:	Rental income of HK\$2.5 million (2022: HK\$1.7 million) and fair value loss of HK\$2.8 million (2022: gain of HK\$2.6 million)
Investment strategy:	bring returns to the Group by dividends and capital growth



### **Investment III**

Nature:	Investment property
Address:	an industrial development complex with 4 industrial buildings located in Taoci Industrial Zone, Qigong Community, Wan Shou Street, Jianping County, Chaoyang City, Liaoning Province, the PRC
Principal business:	letting out for rental income
Investment cost:	RMB56.9 million
Fair value as at 31 December 2023:	HK\$79.6 million (2022: HK\$87.1 million)
Size relative to the Group's total assets as at 31 December 2023:	15.8% (2022: 10.9%)
Performance during the year:	rental income of HK\$3.3 million (2022: HK\$3.0 million) and fair value loss of HK\$5.1 million (2022: gain of HK\$14.3 million)
Investment strategy:	bring returns to the Group by dividends and capital growth

### **EMPLOYEE AND REMUNERATION**

As at 31 December 2023, the Group had approximately 62 (2022: 65) 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.

### **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere on this 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 2023 and are intended to be applied in accordance with the revised proposed application set out in the Announcements. The below table sets out the details of the application of the Net Proceeds:

	<b>Total revised planned use of Net Proceeds (HK\$' million)</b>	<b>Actual use of Net Proceeds as at 1 January 2023 (HK\$' million)</b>	<b>Actual use of Net Proceeds as at 31 December 2023 (HK\$' million)</b>	<b>Unutilised amount of Net Proceeds as at 31 December 2023 (HK\$' million)</b>
Improving and enhancing the existing production lines for				
Manufacturing Segment	4.7	–	(4.7)	–
Working capital of the Manufacturing Segment	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>(4.7)</u>	<u>–</u>

Due to the disruptions caused by 3-year long COVID-19 prevention measures and the unexpected market development of the Manufacturing Segment, there has been a delay in the application of the unutilised proceeds allocated to improving and enhancing the existing production lines for Manufacturing Segment to the end of 2023. The remaining unutilised proceeds of HK\$4.7 million allocated to improving and enhancing the existing production lines for Manufacturing Segment was utilised during the year ended 31 December 2023.

## **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 16 May 2024 to 21 May 2024 (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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m., 14 May 2024.

## **CORPORATE GOVERNANCE PRACTICE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix C1 of the Listing Rules of the Stock Exchange throughout the year ended 31 December 2023, except the following deviation:

### **Code Provision C.2.1**

The roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current management structure of the Company, Mr. Wong Lik Ping ("Mr. Wong") is the chairman of the Board (the "Chairman") and chief executive officer of the Company (the "CEO"). Upon the resignation of former CEO, Mr. Lai Ka Fai on 31 July 2023, Mr. Wong took up the function of CEO while the Company has been in the course of nominating suitable candidates for the vacancy of CEO. In addition, under the supervision of the Board which is comprised of five executive Directors, one non-executive Director and four independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders as a whole. Therefore, the Board considers that the deviation from provision C.2.1 of the CG Code is appropriate in this circumstance, and will be addressed in the future.

### **Code Provision 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.

## **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 C3 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 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’ S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

## **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. 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 2023 have been reviewed and approved by the audit committee.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA 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 2023 on this announcement have been agreed by the auditors of the Company, Zhonghui Anda CPA Limited, to the amounts set out in the Company’s audited consolidated financial statements for the same period. The work performed by Zhonghui Anda CPA 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 Zhonghui Anda CPA Limited on this preliminary announcement.

## **ANNUAL REPORT**

The 2023 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be dispatched to the shareholders of the Company in due course.

By order of the Board of  
**China Ever Grand Financial Leasing Group Co., Ltd.**  
**Wong Lik Ping**  
*Chairman and Executive Director*

Hong Kong, 26 March 2024

*As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Siu Wai Bun, 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. Wu Kai Tang and Mr. Leung Yiu Ming, David as Independent Non-Executive Directors.*