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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “Board”) of directors (the “Directors”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “Company”) hereby presented the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 (the “Current Period”) together with the comparative figures for the corresponding period in 2023 (the “Corresponding Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000 (Restated)
Continuing operation			
Revenue	5		
Contracts with customers		43,857	17,521
Leases		3,166	2,970
Total revenue		47,023	20,491
Cost of revenue		(35,893)	(11,827)
Gross profit		11,130	8,664

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Other income	7	113	662
Other gains and losses	8	(14,276)	(7,013)
Administrative expenses		(21,863)	(23,687)
Other operating expenses		–	(133)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	9	(2,655)	(1,831)
Share of results of associates		(15,877)	1,631
Finance costs	10	(144)	–
Loss before taxation from continuing operation		(43,572)	(21,707)
Income tax expense	11	(19)	–
Loss for the period from continuing operations	12	(43,591)	(21,707)
Discontinued operation			
Loss for the period from discontinued operation	13	–	(1,818)
Loss for the period		(43,591)	(23,525)
Loss for the period attributable to:			
Owners of the Company			
– from continuing operations		(43,591)	(21,707)
– from discontinued operation		–	(935)
		(43,591)	(22,642)
Non-controlling interests			
– from continuing operations		–	–
– from discontinued operation		–	(883)
		–	(883)
		(43,591)	(23,525)

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
		<i>HK\$ cent</i>	<i>HK\$ cent</i>
Loss per share	<i>15</i>		
– From continuing and discontinued operations			
Basic		<u>(2.58)</u>	<u>(1.34)</u>
Diluted		<u>(2.58)</u>	<u>(1.34)</u>
– From continuing operations			
Basic		<u>(2.58)</u>	<u>(1.29)</u>
Diluted		<u>(2.58)</u>	<u>(1.29)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(43,591)</u>	<u>(23,525)</u>
Other comprehensive expense		
Item that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity investments at fair value through other comprehensive income ("FVTOCI")	(6,300)	(1,024)
Item that are or may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	(4,645)	(10,777)
Share of other comprehensive income of associates	<u>–</u>	<u>(65)</u>
Other comprehensive expense for the period, net of tax	<u>(10,945)</u>	<u>(11,866)</u>
Total comprehensive expense for the period	<u><u>(54,536)</u></u>	<u><u>(35,391)</u></u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(54,536)	(33,257)
Non-controlling interests	<u>–</u>	<u>(2,134)</u>
	<u><u>(54,536)</u></u>	<u><u>(35,391)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		56,995	54,659
Investment properties		119,698	135,768
Goodwill		25,556	25,556
Interests in associates		110,695	127,141
Equity investments at FVTOCI		54,700	61,000
		367,644	404,124
Current assets			
Inventories		19,716	19,401
Loan receivables		8,600	10,000
Trade receivables	<i>16</i>	11,759	14,989
Other receivables, deposits and prepayments	<i>17</i>	20,029	20,977
Financial assets at fair value through profit or loss ("FVTPL")		3,137	4,008
Deposits placed with non-bank financial institutions		1	2
Tax recoverable		82	917
Cash and cash equivalents		17,287	28,413
		80,611	98,707

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	<i>18</i>	24,311	30,841
Lease liabilities		1,292	–
Borrowing		2,793	–
Tax payables		19,032	19,047
		<u>47,428</u>	<u>49,888</u>
Net current assets		<u>33,183</u>	<u>48,819</u>
Total assets less current liabilities		<u>400,827</u>	<u>452,943</u>
Capital and reserves			
Share capital		168,730	168,730
Reserves		229,677	284,213
Total equity		<u>398,407</u>	<u>452,943</u>
Non-current liabilities			
Lease liabilities		2,420	–
		<u>400,827</u>	<u>452,943</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. CORPORATE 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 2024 interim report.

The principal activities of the Group are provision of finance lease and related consulting services, the 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 in the People’s Republic of China (the “PRC”) and Hong Kong.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange.

These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023. The accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023 except those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024. The Group has not early adopted any new or revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the interim financial statements and their effect are disclosed in note 4.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), unless otherwise stated. These interim condensed consolidated financial statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2023 annual financial statements.

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 (the “Deconsolidation”). As a result, they have been accounted for as associates of the Company thereafter.

BJEG Group is engaged in the financial 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”) were presented under discontinued operation and its results after the Date of the Deconsolidation, through investment in associates, were presented under continuing operations in the consolidated statement of profit or loss. The comparative figures for the interim condensed consolidated financial statements were restated accordingly to reflect the reclassification between continuing operations and discontinued operation of the Group accordingly.

3. ADOPTION OF AMENDMENTS TO HKFRSs

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

HKFRS 16	<i>Amendments in relation to Lease Liability in a Sale and Leaseback</i>
HKFRS 7 and HKAS 7	<i>Amendments in relation to Supplier Finance Arrangements</i>
HKAS 1	<i>Amendments in relation to Classification of Liabilities as Current or Non-current</i>
HKAS 1	<i>Amendments in relation to Non-current Liabilities with Covenants</i>
HK-int 5	<i>Amendments in relation to Amendments to HKAS 1</i>

The amended HKFRSs that are effective from 1 January 2024 did not have any significant impact on the Group’s accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

5. REVENUE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Revenue from contracts with customers		
Asset management advisory service fee income	–	1,949
Sale of		
– food additives and nutrient enhancers	1,855	1,291
– Daily necessities, medical, health and hygiene products	42,002	16,230
	43,857	19,470
Leases		
Rental income	3,166	2,970
Interest under effective interest method		
Interest income from finance lease receivables	–	2,606
Total revenue	47,023	25,046
Representing		
Continuing operations	47,023	20,491
Discontinued operation	–	4,555
	47,023	25,046

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Geographical information:		
The PRC	1,855	3,240
Hong Kong	<u>42,002</u>	<u>16,230</u>
Revenue from contracts with customers	<u>43,857</u>	<u>19,470</u>
Timing of revenue recognition:		
At a point in time	43,857	17,521
Over time	<u>–</u>	<u>1,949</u>
Revenue from contracts with customers	<u>43,857</u>	<u>19,470</u>

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; and
- (ii) Revenue for the sale of food additives and nutrient enhancers and sale of daily necessities, medical, hygiene and health products are 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.

6. 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 as discontinued operation whereas the same has been included in the continuing operations as share of results of associates 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 13.

The definition of Financial Leasing Segment was modified in the previous year to only encompass the share of associates’ results conducted by BJEG Group for the Current Period.

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, 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 periods reported below only represented those under continuing operations while those under discontinued operation are set out in note 13.

Segment revenue and results

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

Segments	Continuing operations			
	Revenue		Segment results	
	Six months ended 30 June			
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i> (Restated)	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i> (Restated)
Financial leasing	–	–	(15,553)	–
Investment	3,166	2,970	(14,348)	(7,422)
Distribution	42,002	16,230	(887)	(1,324)
Manufacturing	1,855	1,291	(2,454)	(2,815)
	<u>47,023</u>	<u>20,491</u>	<u>(33,242)</u>	<u>(11,561)</u>
Unallocated other income, gains and losses			(245)	520
Unallocated corporate expenses			(9,761)	(12,261)
Unallocated other expenses and finance costs			–	(36)
Share of results of associates			(324)	1,631
Loss before taxation			<u>(43,572)</u>	<u>(21,707)</u>

All of the segment revenue 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, 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

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Assets		Liabilities	
	30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>	30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>
Segments				
Financial leasing	13,968	30,090	–	–
Investment	186,807	210,918	10,399	10,463
Distribution	63,376	64,857	6,024	5,478
Manufacturing	55,312	54,527	4,192	3,398
	<u>319,463</u>	<u>360,392</u>	<u>20,615</u>	<u>19,339</u>
Interests in associates	96,727	97,051	–	–
Unallocated corporate items	32,065	45,388	29,233	30,549
	<u>448,255</u>	<u>502,831</u>	<u>49,848</u>	<u>49,888</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 and certain tax payables.

7. OTHER INCOME

	Six months ended 30 June	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i> (Restated)
Interest income from loan receivables	–	324
Interest income from banks and non-bank financial institutions	65	591
Sundry income	48	1,573
	<u>113</u>	<u>2,488</u>
Representing		
Continuing operations	113	662
Discontinued operation	–	1,826
	<u>113</u>	<u>2,488</u>

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i> (Restated)
Fair value changes on:		
Financial assets at FVTPL	(871)	6,252
Investment properties	(12,991)	(8,103)
Net foreign exchange losses	(28)	(57)
Write-off of property, plant and equipment	(145)	–
Write-off of inventories	(129)	–
Others	(112)	(3)
	<u>(14,276)</u>	<u>(1,911)</u>
Representing		
Continuing operations	(14,276)	(7,013)
Discontinued operation	–	5,102
	<u>(14,276)</u>	<u>(1,911)</u>

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Reversal of impairment loss/(impairment loss) recognised on:		
Finance lease receivables	–	6,364
Loan receivables	(1,400)	(1,621)
Other receivables	(1,255)	(6,770)
	<u>(2,655)</u>	<u>(2,027)</u>
Representing		
Continuing operations	(2,655)	(1,831)
Discontinued operation	–	(196)
	<u>(2,655)</u>	<u>(2,027)</u>

10. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on:		
Bank borrowing	23	–
Amount due to an associate	58	–
Lease liabilities	63	–
	<u>144</u>	<u>–</u>
Representing		
Continuing operations	144	–
Discontinued operation	–	–
	<u>144</u>	<u>–</u>

11. TAXATION

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – PRC Enterprise Income Tax	(22)	(87)
Over-provision in prior year – Hong Kong Profits Tax	3	–
Deferred tax credit	–	75
	<u>(19)</u>	<u>(12)</u>
Representing		
Continuing operations	(19)	–
Discontinued operation	–	(12)
	<u>(19)</u>	<u>(12)</u>

12. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	128	481
Depreciation of right-of-use assets	1,794	1,847
	<u>1,922</u>	<u>2,328</u>
Total depreciation		
	<u>1,922</u>	<u>2,328</u>
Cost of inventories sold (included in cost of revenue)	35,893	11,827
Staff costs (including directors' and chief executive's emoluments)	11,154	11,833
Short-term lease expenses	591	617
	<u>591</u>	<u>617</u>

13. DISCONTINUED OPERATION

The results of the discontinued operation, consisting of BJEG Group, for the period from 1 January 2023 to 30 June 2023, which have been included in the condensed consolidated statement of profit or loss, are as follows:

		Six months ended 30 June 2023 (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>	
Revenue		
Contracts with customers		1,949
Interest under effective interest method		<u>2,606</u>
Total revenue	5	4,555
Cost of revenue		<u>(7,699)</u>
Gross loss		(3,144)
Other income	7	1,826
Other expenses		(44)
Other gains and losses	8	5,102
Administrative expenses		(5,350)
Impairment losses under ECL model, net of reversal	9	<u>(196)</u>
Loss before taxation		(1,806)
Income tax expense	11	<u>(12)</u>
Loss for the period		<u><u>(1,818)</u></u>

Loss for the period from discontinued operation has been arrived at after charging the following items:

	Six months ended 30 June 2023 (Unaudited) <i>HK\$'000</i>
Depreciation of property, plant and equipment	174
Depreciation of right-of-use assets	<u>1,490</u>
Total depreciation	<u><u>1,664</u></u>
Cost of inventories sold (included in cost of revenue)	–
Staff costs (including directors' and chief executive's emoluments)	2,069
Short-term lease expenses	<u><u>–</u></u>

14. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

15. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Loss		
Loss for the period attributable to owners of the Company from:		
Continuing operations	(43,591)	(21,707)
Discontinued operation	—	(935)
	<u> </u>	<u> </u>
Loss for the period attributable to owners of the Company	<u>(43,591)</u>	<u>(22,642)</u>
	2024	2023
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,687,303</u>	<u>1,687,303</u>

Basic loss per share from the discontinued operation for the six months ended 30 June 2023 was HK0.05 cents per share, based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$935,000 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 period and, therefore, the diluted loss per share is the same as basic loss per share for the six months ended 30 June 2024 and 2023.

16. TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	12,225	15,456
Less: allowance for impairment	<u>(466)</u>	<u>(467)</u>
Trade receivables, net	<u>11,759</u>	<u>14,989</u>

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

As at 30 June 2024 and 31 December 2023, the allowance for impairment on trade receivables has been recognised in accordance with the simplified approach, i.e. lifetime ECLs set out in HKFRS 9. The ageing analysis of the trade receivables, net, based on invoice date, as of the end of the reporting period is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0–30 days	2,613	7,365
31–90 days	4,326	3,685
91–270 days	3,541	3,214
Over 270 days	<u>1,279</u>	<u>725</u>
	<u>11,759</u>	<u>14,989</u>

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Other receivables	12,293	14,969
Prepayments	839	1,354
Prepayments for purchases of goods	9,953	6,906
Deposits	685	231
Amount due from an associate	<u>107</u>	<u>110</u>
	23,877	23,570
Less: Impairment allowance	<u>(3,848)</u>	<u>(2,593)</u>
Total other receivables, deposits and prepayments	<u>20,029</u>	<u>20,977</u>

18. TRADE AND OTHER PAYABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables	2,416	4,697
Accruals	6,886	9,079
Receipt in advance	8,585	10,456
Other payables	4,110	4,298
Amount due to an associate (<i>note</i>)	<u>2,314</u>	<u>2,311</u>
	<u>24,311</u>	<u>30,841</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:

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0–30 days	821	4,109
31–90 days	975	95
91–270 days	138	440
Over 270 days	482	53
	<u>2,416</u>	<u>4,697</u>

Note: The amount is unsecured, carries a fixed interest rate of 4.762% per annum and is repayable in December 2024.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2024 and 31 December 2023.

20. CAPITAL COMMITMENTS

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>636</u>	<u>1,073</u>

21. COMPARATIVE FIGURES

Save as note 13 to the condensed consolidated financial statements and elsewhere in this announcement, certain comparative figures have been reclassified to conform to current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2024 (the “Current Period”), the Group’s revenue from continuing operations increased by 129.5% to HK\$47.0 million as compared to that of HK\$20.5 million for the six months ended 30 June 2023 (the “Corresponding Period”). The Group’s gross profit from continuing operations increased by 28.5% to HK\$11.1 million in the Current Period as compared to that of HK\$8.7 million in the Corresponding Period and net loss from continuing operations increased by 100.8% to HK\$43.6 million in the Current Period as compared to that of HK\$21.7 million in the Corresponding Period.

Financial Leasing Segment

According to the note 13 to the condensed consolidated financial statements, the Group discontinued the result of this segment as subsidiaries for the Corresponding Period while it continues to operate as usual but its result is accounted for as associates. The shared loss of associates from the Financial Leasing Segment was HK\$15.6 million in the Current Period, which was mainly arising from interest costs from finance lease and the fair value loss on financial assets at FVTPL. For the definition of segment profit or loss and detailed analysis, please refer to note 6 to the condensed consolidated financial statements in this announcement.

Investment Segment

Revenue from the Investment Segment slightly increased by 6.6% to HK\$3.2 million in the Current Period as compared to that of HK\$3.0 million in the Corresponding Period. This segment recorded a net loss of HK\$14.3 million in the Current Period as compared to that of HK\$7.4 million in the Corresponding Period. Such increase in loss of HK\$6.9 million was mainly due to the fair value loss on PRC investment properties of HK\$13.0 million in the Current Period (Corresponding Period: HK\$8.1 million).

Distribution Segment

Distribution Segment includes production, wholesale, distribution and trading of daily necessities, medical products, health products and hygiene products in Hong Kong. Its revenue increased by 158.8% to HK\$42.0 million in the Current Period as compared to that of HK\$16.2 million in the Corresponding Period. Such increase was mainly due to the fact that (i) sales of health and wellness products under our own brand increased; and (ii) the supply of a traditional Chinese medical product from the manufacturer has stabilised. This segment recorded a net loss of HK\$0.9 million in the Current Period as compared to that of HK\$1.3 million in the Corresponding Period.

Manufacturing Segment

Manufacturing Segment includes manufacturing of healthy food such as meal replacements partly made of Chlamdionas Reininhardtii and other nutrients. During the Current Period, it recorded revenue of HK\$1.9 million (Corresponding Period: HK\$1.3 million) and a net loss of HK\$2.5 million (Corresponding Period: HK\$2.8 million). This segment did not have much sales during the Current Period because of no improvement in the sales of meal replacements. The segment was building up a brand-new production line of healthy food products and yet contributed any revenue of it during the Current Period.

After taking into account of the corporate and other expenses and finance cost of HK\$9.8 million in the Current Period (Corresponding Period: HK\$12.3 million), a loss arising from share of results of associates (excluding BJEG Group) in the Current Period of HK\$0.3 million (Corresponding Period: profit of HK\$1.6 million), certain unallocated other income, gains and losses of HK\$0.2 million in the Current Period (Corresponding Period: gain of HK\$0.5 million), income tax expense of HK\$19,000 in Current Period (Corresponding Period: Nil), the Group recorded a net loss from continuing operations attributable to the owners of the Company of HK\$43.6 million (Corresponding Period: HK\$21.7 million) and a net loss from continuing and discontinued operations of HK\$43.6 million in the Current Period (Corresponding Period: HK\$23.5 million). An increase in net loss from continuing operations was mainly due to the fair value loss on investment properties in the PRC and the poor operating performance of associates in the Current Period compared with the Corresponding Period.

Revenue and gross profit

The Group's revenue from continuing operations increased by 129.5% to HK\$47.0 million in the Current Period as compared to that of HK\$20.5 million in the Corresponding Period. The revenue from the sale of daily necessities, medical products, health products and hygiene products increased by 158.8% to HK\$42.0 million in the Current Period as compared to that of HK\$16.2 million in the Corresponding Period. Such increase was mainly due to the increase in sales of a traditional Chinese medical product and the own brand healthcare products. Sales of food additives and nutrient enhancers increased by 43.7% to HK\$1.9 million in the Current Period as compared to that of HK\$1.3 million in the Corresponding Period. Rental income from investment properties in the PRC was increased by 6.6% to HK\$3.2 million in the Current Period as compared to that of HK\$3.0 million in the Corresponding Period.

The Group's gross profit from continuing operations increased by 28.5% to HK\$11.1 million in the Current Period as compared to that of HK\$8.7 million. The gross profit margin was dropped from 42.3% in the Corresponding Period to 23.7% in the Current Period, because of increase in sale of products with low gross profit margin.

Other income

Other income from continuing operations of HK\$113,000 in the Current Period (Corresponding Period: HK\$662,000) was mainly from interest income from fixed bank deposits.

Other gains and losses

Other gains and losses from continuing operations in the Current Period were a net loss of HK\$14.3 million (Corresponding Period: net gain of HK\$7.0 million), mainly comprising of the fair value loss on investment properties of HK\$13.0 million (Corresponding Period: HK\$8.1 million).

Administrative expenses and other operating expenses

The Group's administrative and other operating expenses from continuing operations decreased by 8.2% to HK\$21.9 million in the Current Period as compared to that of HK\$23.8 million in the Corresponding Period. These mainly included staff costs (including directors' and chief executive's emoluments) from continuing operations of HK\$11.2 million (Corresponding Period: HK\$11.8 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 loss of HK\$15.9 million in the Current Period as compared with a profit of HK\$1.6 million in the Corresponding Period. The Group shared a loss of BJEG Group of HK\$15.6 million, a profit of Top Insight Limited of HK\$0.8 million (Corresponding Period: HK\$1.2 million) and a loss of Simagi Finance Company Limited of HK\$1.2 million (Corresponding Period: profit of HK\$0.4 million) in the Current Period.

Income taxation

Income tax expense from continuing operations in the Current Period was HK\$19,000 (Corresponding Period: Nil), mainly comprising of provision for current tax of HK\$22,000 in the PRC and over-provision for tax in 2023 of HK\$3,000 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 condensed consolidated statement of profit or loss for the Corresponding Period. Net loss from discontinued operation for the Corresponding Period amounted to HK\$1.8 million. Details of results of the discontinued operation are set out in note 13 to the condensed consolidated financial statements.

FINANCIAL POSITION

The total asset of the Group as at 30 June 2024 amounted to HK\$448.3 million, representing a decrease of HK\$54.6 million or 10.9% as compared with HK\$502.8 million as at 31 December 2023. The decrease in total asset was mainly due to the fact that the fair value loss on investment properties in the PRC and the poor operating performance of associates in the Current Period. The total liabilities of the Group as at 30 June 2024 amounted to HK\$49.8 million, representing a decrease of HK\$40,000 or 0.1% as compared with HK\$49.9 million as at 31 December 2023. There was no material change in total liabilities in the Current Period.

The gearing ratios (which is calculated from total liabilities over total asset) slightly increased from 9.9% as at 31 December 2023 to 11.1% as at 30 June 2024. The current ratios (which is calculated from total current assets over total current liabilities) decreased from 2.0 as at 31 December 2023 to 1.7 as at 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had cash and cash equivalents and deposits placed with non-bank financial institutions totalling of approximately HK\$17.3 million (31 December 2023: HK\$28.4 million). As at 30 June 2024, the Group had the short-term bank borrowing amounting to HK\$2.8 million (31 December 2023: Nil).

For the period 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

In the both reporting periods, the Group had no material exposure to fluctuation in exchange rates in foreign currency as material transactions such as revenue and cost of revenue 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 both periods.

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 the financial leasing services in the PRC carried out by associates, BJEG and its subsidiaries, and the loan financing services carried out by a wholly owned subsidiary, TF Advances Limited, in Hong Kong.

Any deterioration in collectability of the finance lease receivables and loan receivables and the underlying quality of leased assets and collaterals could adversely affect the Group's business and financial conditions. In order to mitigate the credit risk, the Group has established proper policies and procedures to safeguard the Group's assets, details of which were set out on pages 10 to 17 under the section headed "FINANCING BUSINESS AND CREDIT EXPOSURE" of the Company's 2023 annual report dated 26 March 2024 (the "2023 Annual Report").

As at 30 June 2024, the Group assessed the recoverability of other financial lease receivables and certain loan receivables which was based on probability-weighted expected credit losses of multiple possible event model adopted in accordance with HKFRS 9, which involves 5 key parameters, namely (i) exposure at default; (ii) probability of default; (iii) loss given default or 100% minus recovery rate upon default; (iv) forward looking factor and (v) discount rate. Impairment losses under ECL model recognised during the reporting period are disclosed in note 9.

CHARGE OF ASSETS

As at 30 June 2024 and 31 December 2023, there was no charge on the asset.

CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had capital commitments of HK\$0.6 million (31 December 2023: HK\$1.1 million) for the acquisition of property, plant and equipment.

PROSPECT

The Group primarily focuses on its operations in the PRC and Hong Kong, making the economic, political, and social aspects of these jurisdictions crucial to its overall performance. In the second quarter of 2024, Hong Kong's economy sustained moderate growth, with Real GDP increasing by 3.3% year-on-year, following a 2.8% rise in the previous quarter. However, local consumer sentiment has been largely dampened by sluggish stock and property markets. Coupled with the trend of outbound travel of local residents to the mainland, the retail and food and beverage sectors continue to struggle in the second half of the year. Anticipating a potential interest rate cut by the Federal Reserve could be a pivotal move to invigorate investment sentiment and stimulate the overall economy.

Similarly, the PRC is grappling with an ailing economy, characterized by a sluggish real estate and stock market, elevated unemployment rates, and strained geopolitical relations. 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.

As to the Financial Leasing Segment, this segment will continue to be accounted as associates of the Group, operating as usual. The Group will continue to explore possible ways to resolve the matters relating to the loss of control over the segment and will try to resolve this matter in an amicably and timely 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 from the negotiations with its another shareholder and enhance the Group's financial position.

In the Investment Segment, the Group adheres to a conservative strategy for its portfolio, which includes 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 light of the current property market in the PRC, the Group may offload some of real estate properties in the PRC in order to replenish the required liquidity of the Group and address the increasing market risk of the properties.

The Distribution Segment aims to increase volume by diversifying products, expanding distribution channels, and broadening its customer base across various territories. The Group will introduce more health and wellness products under its own brand to suit the market changing needs.

As to the Manufacturing Segment, the Group has successfully established and is now steadily operating a new production line for 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, 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 first products namely non-oil fried instant noodles have been available and are being sent to distributors for feedback before an official launch in the PRC in the second half of this year. Part of the products will be sold through our own platform in the Distribution Segment.

Looking ahead to the second half of 2024, the Group is committed to optimizing its business segments to enhance volume and profitability, with a pledge to further reduce costs. We may consider withdrawing from the loss-making projects and relocate the resources to the growing and promising segments. The Group will cautiously and diligently explore new potential growth opportunities, undervalued assets and business expansion in order to diversify the income sources, bring in profits and ultimately attain long and sustainable growth and enhance shareholders' value as a whole.

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

As at 30 June 2024, the Group held the following significant investments with a value of 5% or more of the Group's total assets:

Investment I

Nature:	Equity investments at FVTOCI
Name of company:	Imagi Brokerage Limited
Principal businesses:	provision of brokerage securities dealing service, securities margin financing and asset management services. Imagi 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 30 June 2024:	HK\$43.1 million (31 December 2023: HK\$49.2 million)
Size relative to the Group's total assets as at 30 June 2024:	9.6% (31 December 2023: 9.8%)
Performance during the Current Period:	fair value loss of HK\$6.1 million (Corresponding Period: HK\$0.5 million)
Investment strategy:	bring returns to the Group by dividends and capital growth

Investment II

Nature:	Investment property held under medium-term lease
Address:	6 Units 3-storey industrial building located in 188 Xinjunhuan Road, Minhang District, Shanghai, the PRC
Principal use:	letting out for rental income
Investment cost:	RMB55.2 million
Fair value as at 30 June 2024:	HK\$49.9 million (31 December 2023: HK\$56.1 million)
Size relative to the Group's total assets as at 30 June 2024:	11.1% (31 December 2023: 11.2%)
Performance during the Current Period:	Rental income of HK\$1.2 million (Corresponding Period: HK\$1.3 million) and fair value loss of HK\$4.9 million (Corresponding Period: HK\$2.5 million)
Investment strategy:	bring returns to the Group by rental income and capital growth

Investment III

Nature:	Investment property held under medium-term lease
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 use:	letting out for rental income
Investment cost:	RMB56.9 million
Fair value as at 30 June 2024:	HK\$69.8 million (31 December 2023: HK\$79.6 million)
Size relative to the Group's total assets as at 30 June 2024:	15.6% (31 December 2023: 15.8%)
Performance during the Current Period:	Rental income of HK\$1.9 million (Corresponding Period: HK\$1.7 million) and fair value loss of HK\$8.1 million (Corresponding Period: HK\$5.6 million)
Investment strategy:	bring returns to the Group by rental income and capital growth

Investment IV

Nature:	Interests in associates
Name of company:	Top Insight Holding Limited
Principal businesses:	Investment holding whose subsidiaries are engaged in investment property holding businesses
Number of shares held:	365 (34.7%)
Investment cost:	HK\$64.9 million
Fair value as at 30 June 2024:	HK\$78.9 million (31 December 2023: HK\$78.1 million) (assume that the carrying amount approximates to its fair value)
Size relative to the Group's total assets as at 30 June 2024:	17.6% (31 December 2023: 15.5%)
Performance during the Current Period:	Share of profit of HK\$0.8 million (Corresponding Period: HK\$1.2 million)
Investment strategy:	bring returns to the Group by sharing profits and capital growth

There were no material acquisitions or disposals of subsidiaries and associated companies during the Current Period.

EMPLOYEE AND REMUNERATION

As at 30 June 2024, the Group had approximately 58 (31 December 2023: 62) 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 in this announcement, the Group did not have any significant events after the reporting period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2024, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 (the “CG Code”) to the Listing Rules, except for the deviations as below:

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 four 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 Code 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 remuneration committee’s terms of reference should include reviewing and making recommendations to the board on the issuer’s policy and structure for senior management remuneration and the remuneration packages of senior management. The terms of reference of the remuneration committee of the Company 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 (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the review period.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the “Audit Committee”) 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2024 have been reviewed and approved by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND REPORT

This interim results announcement is published on the websites of the Company (www.egichk.com) and the Stock Exchange (www.hkexnews.hk). The 2024 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and made available on the aforesaid websites in due course.

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

Hong Kong, 22 August 2024

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Siu Wai Bun, Mr. Tao Ke and Mr. Ng Tin Shui as Executive Directors; (2) Ms. Yip Man Yi as Non-Executive Director; and (3) Mr. Ng Kwok Sang, Mr. Ho Hin Yip, Mr. Wu Kai Tang and Mr. Leung Yiu Ming, David as Independent Non-Executive Directors.