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

EGIC 中國恒嘉融資租賃集團有限公司
CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	4		
Contracts with customers		**62,632**	109,604
Leases		**4,699**	5,713
Interest under effective interest method		**10,455**	8,313
Total revenue		**77,786**	123,630
Cost of revenue		**(63,502)**	(127,439)
Gross profit/(loss)		**14,284**	(3,809)
Other income	6	**4,520**	3,391
Other expenses		**(401)**	(21)
Other gains and losses	6	**160,522**	(12,474)
Administrative expenses		**(66,973)**	(65,955)
Impairment losses under expected credit loss ("ECL") model, net of reversal	7	**(62,233)**	(963)
Impairment loss on inventories		**(7,196)**	–
Share of results of associates		**1,571**	21,342
Finance costs		**(15)**	(87)
Profit/(loss) before taxation		**44,079**	(58,576)
Income tax expense	8	**(466)**	(4,132)
Profit/(loss) for the year	9	**43,613**	(62,708)

	NOTE	**2022**	2021
		HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the Company		**7,028**	(40,619)
Non-controlling interests		**36,585**	(22,089)
		43,613	(62,708)
		HK cents	*HK cents*
Earnings/(loss) per share	*10*		
Basic		**0.42**	(2.41)
Diluted		**0.42**	(2.41)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Profit/(loss) for the year	**43,613**	(62,708)
Other comprehensive income/(expense), net of tax		
Item that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity investment at fair value through other comprehensive income ("FVTOCI")	**(6,735)**	(18,698)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	**(15,926)**	6,966
Share of other comprehensive income of associates	**(39)**	(4)
Other comprehensive expense for the year, net of income tax	**(22,700)**	(11,736)
Total comprehensive income/(expense) for the year	**20,913**	(74,444)
Total comprehensive income/(expense) for the year attributable to:		
Owners of the Company	**(12,631)**	(52,352)
Non-controlling interests	**33,544**	(22,092)
	20,913	(74,444)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**87,912**	88,520
Prepayment for acquisition of property, plant and equipment		**–**	17,847
Investment properties		**147,670**	142,369
Goodwill		**25,556**	25,556
Interests in associates		**98,526**	99,608
Equity investments at FVTOCI	*12*	**93,204**	108,762
Finance lease receivables	*14*	**4,116**	30,580
Loan receivables	*15*	**9,332**	61,030
Restricted bank deposits		**16,960**	18,404
		483,276	592,676
Current assets			
Inventories		**13,391**	16,778
Finance lease receivables	*14*	**47,246**	122,782
Loan receivables	*15*	**–**	97,539
Trade receivables	*16*	**14,379**	13,634
Other receivables, deposits and prepayments	*17*	**48,425**	54,121
Financial assets at fair value through profit or loss ("FVTPL")	*13*	**123,258**	147,069
Deposits placed with non-bank financial institutions		**3,217**	13,599
Short-term bank deposits		**30,000**	–
Cash and cash equivalents		**38,143**	23,299
		318,059	488,821

	NOTES	2022 HK$'000	2021 HK$'000
Current liabilities			
Other payables and accruals	*18*	**73,633**	89,687
Deposits received from customers	*14*	**2,262**	12,268
Tax payables		**20,829**	21,586
Borrowings	*19*	**152,645**	423,691
		249,369	547,232
Net current assets/(liabilities)		**68,690**	(58,411)
Total assets less current liabilities		**551,966**	534,265
Capital and reserve			
Share capital	*20*	**168,730**	168,730
Reserves		**335,175**	346,981
Equity attributable to owners of the Company		**503,905**	515,711
Non-controlling interests		**32,754**	35
Total equity		**536,659**	515,746
Non-current liabilities			
Deposits received from customers	*14*	**13,510**	16,478
Deferred tax liabilities		**1,797**	2,041
		15,307	18,519
		551,966	534,265

Notes:

1. GENERAL INFORMATION

China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section on the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services in People's Republic of China (the "PRC"), the trading of equity securities, investment in properties, investment holdings, sale of food additives, sale of medical and health products and sale of daily necessities and hygiene products, and money lending business.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the directors consider that it is a more appropriate presentation for a company listed on the Stock Exchange and for the convenience of the shareholders.

2. 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 2022 for the preparation of the consolidated financial statements:

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

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 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Disclosure of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company 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

Statement of compliance

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

Basis of preparation

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

4. REVENUE

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

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Asset management advisory service fee income	**28**	370
Sale of:		
– food additives	**2,130**	5,732
– medical and health products	**15,767**	71,669
– medical, health and hygiene products	**44,707**	31,833
	62,632	109,604
Interest under effective interest method:		
Interest income from		
– finance lease receivables	**6,020**	2,844
– loan receivables	**4,435**	5,469
	10,455	8,313
Leases		
Rental income	**4,699**	5,713
Total revenue	**77,786**	123,630

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

Timing of revenue recognition:		
At a point in time	**62,604**	109,234
Over time	**28**	370
Revenue from contracts with customers	**62,632**	109,604

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

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

Financial leasing	–	provision of finance lease consulting services and financing services in the PRC ("Financial Leasing Segment")
Investment	–	investment properties in the PRC and Hong Kong, investments in securities and money lending business in Hong Kong
Trading	–	sale of medical, health, hygiene products and daily necessities ("Trading Segment")
Others	–	research and development, manufacturing and sale of food additives, new food ingredients and nutritional enhancers in the PRC ("Food Additives Business")

Segment revenues and results

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

For the year ended 31 December

	Finance leasing		Investment		Trading		Others		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE										
At a point in time	**–**	–	**–**	–	**60,474**	103,502	**2,130**	5,732	**62,604**	109,234
Over time	**28**	370	**–**	–	**–**	–	**–**	–	**28**	370
From other source	**6,020**	2,844	**9,134**	11,182	**–**	–	**–**	–	**15,154**	14,026
	6,048	3,214	**9,134**	11,182	**60,474**	103,502	**2,130**	5,732	**77,786**	123,630
SEGMENT RESULTS	**75,111**	(42,154)	**11,977**	2,467	**(7,147)**	6,551	**(7,588)**	(11,628)	**72,353**	(44,764)
Unallocated other income, gains and losses									**(741)**	(1,219)
Unallocated corporate expenses									**(29,024)**	(33,786)
Unallocated other expenses and finance costs									**(80)**	(149)
Share of results of associates									**1,571**	21,342
Profit/(loss) before taxation									**44,079**	(58,576)

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 change in fair value on contingent consideration receivables, gain or loss on deemed disposal/derecognition of an associate/a subsidiary), share of results of associates and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2022

	Finance leasing		Investment		Trading		Others		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**266,158**	505,604	**227,809**	295,080	**66,909**	76,484	**55,773**	62,034	**616,649**	939,202
Interest in associates									**98,526**	99,608
Unallocated corporate assets									**86,160**	42,687
CONSOLIDATED ASSETS									**801,335**	1,081,497
SEGMENT LIABILITIES	**211,330**	519,541	**15,132**	556	**1,133**	1,857	**391**	3,780	**227,986**	525,734
Unallocated corporate liabilities									**36,690**	40,017
CONSOLIDATED LIABILITIES									**264,676**	565,751

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.

6. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Other income		
Interest income from:		
– Bank and non-bank financial institutions	**344**	264
– Other loan receivables	**2,394**	3,099
Dividend income	**914**	–
Government subsidies	**624**	–
Sundry income	**244**	28
	4,520	3,391

	2022	2021
	HK$'000	*HK$'000*
Other gains and (losses)		
Fair value change on:		
– Financial assets at FVTPL	**(27,677)**	17
– Contingent consideration receivables	**–**	(2,553)
– Investment properties	**16,923**	(10,701)
Gain on deemed disposal of an associate	**–**	1,151
Gain on disposal of property, plant and equipment	**3,700**	–
Loss on disposal of equity investment at FVTOCI	**(1,594)**	–
Net foreign exchange (loss)/gain	**(255)**	179
Write-off of inventories	**–**	(725)
Net gain on derecognition of financial asset and financial liabilities at amortised cost *(Note)*	**169,425**	–
Others	**–**	158
	160,522	(12,474)

Note: For the year ended 31 December 2021, there was a litigation in the PRC about an alleged breach of loan contract brought by The Export-Import Bank of China ("EXIM Bank") against Beijing Ever Grand International Financial Leasing Co. Limited ("BJEG"), a non-wholly owned subsidiary of the Company in the PRC.

A court hearing was held in late April 2021 for the loan contract related to Qinghai Pingan High-precision Aluminum Industry Co., Ltd ("Qinghai"), and its terms and amount of loan proceeds were back-to-back with those of the finance lease agreement with Qinghai. In this appeal, EXIM Bank as an appellant appealed to overturn the judgement at the first instance handed down by the Intermediate People's Court of Xi'an City, Shanxi Province which dismissed EXIM Bank's claims brought against BJEG regarding the alleged breach of loan contract in December 2020.

In September 2022, BJEG received the second trial civil judgement of the appeal case, which is a final judgement, pursuant to which the Higher People's Court of the Shanxi Province of the PRC dismissed the appeal brought by EXIM Bank.

The directors of the Company, after taking into account the legal advice, determined that BJEG does not retained any contractual rights to the cash flows from the finance lease receivables of Qinghai, which carrying amounts net of impairment allowance as at 31 December 2021 was RMB82 million; and the associated obligations due to EXIM Bank, and the respective borrowing and other payable as at 31 December 2021 of RMB200 million and RMB27.8 million respectively. Taking all these into accounts, a net gain of RMB145.8 million (HK$169.4 million) was resulted during the year.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022	2021
	HK$'000	*HK$'000*
Impairment loss/(reversal of impairment loss) recognised on:		
– Trade receivables and other receivables *(Note 16 and 17)*	**50**	9,418
– Loan receivables *(Note 15)*	**59,277**	(9,663)
– Finance lease receivables *(Note 14)*	**2,906**	1,208
	62,233	963

8. TAXATION

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**782**	1,099
(Over)/under provision in prior years:		
Hong Kong Profits Tax	**(165)**	–
PRC Enterprise Income Tax	**–**	453
Deferred tax (credit)/charge for current year	**(151)**	2,580
	466	4,132

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 2022 and 2021. 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. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging the following items:

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration	**1,680**	1,500
Depreciation of property, plant and equipment	**817**	385
Depreciation of right-of-use assets	**5,062**	4,790
Total depreciation	**5,879**	5,175
Interest expenses (included in cost of revenue)	**14,863**	31,404
Cost of inventories sold (included in cost of revenue)	**47,476**	96,736
Write-off of inventories	**–**	725
Short-term lease expenses	**3,514**	2,726
Staff costs:		
Directors' and chief executive's emoluments	**13,946**	15,902
Other staff costs		
– Salaries and other benefits	**17,080**	20,107
– Discretionary bonus	**1,729**	2,144
– Retirement benefits scheme contributions	**1,519**	1,955
Total staff costs	**34,274**	40,108

10. EARNINGS/(LOSS) PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company	**7,028**	(40,619)

	2022	2021
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,687,303**	1,687,303

The Company has no dilutive potential ordinary shares in issue during the current and prior year and, therefore, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the years ended 31 December 2022 and 2021.

11. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2022, nor had any dividend been declared or proposed since the end of the reporting period (2021: Nil).

12. EQUITY INVESTMENTS AT FVTOCI

	2022	2021
	HK$'000	*HK$'000*
Unlisted investments:		
– Equity securities	**93,204**	108,762

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 of the Company, 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

	2022	2021
	HK$'000	*HK$'000*
Listed equity and debt securities:		
– Hong Kong	**7,708**	21,777
– PRC	**51,131**	53,068
	58,839	74,845
Unlisted fund investments:		
– PRC	**64,419**	72,224
	123,258	147,069

The balance of HK$64,419,000 (2021: HK$72,224,000) represents the Group's interest in privately-offered unlisted fund investments established in the PRC. During the year, the Group redeemed certain investments and received cash of RMB7,210,000 (approximately HK$8,380,000) (2021: RMB46,500,000 (approximately HK$56,163,000)).

14. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2022	2021
	HK$'000	*HK$'000*
Finance lease receivables	**58,712**	303,044
Less: Impairment allowance	**(7,350)**	(149,682)
	51,362	153,362
Analysed for reporting purposes as:		
Current assets	**47,246**	122,782
Non-current assets	**4,116**	30,580
	51,362	153,362

	Minimum lease payments		Present value of lease payments	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**57,350**	273,806	**53,126**	268,783
Later than one year and not later than two years	**5,900**	31,219	**5,586**	28,200
Later than two years and not later than five years	**–**	6,402	**–**	6,061
	63,250	311,427	**58,712**	303,044
Less: unearned finance income	**(4,538)**	(8,383)	**–**	–
	58,712	303,044	**58,712**	303,044
Less: impairment allowance	**(7,350)**	(149,682)	**(7,350)**	(149,682)
	51,362	153,362	**51,362**	153,362

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2022 range from 6.69% to 11.15% (2021: 4.75% to 11.15%) per annum.

As at 31 December 2022, finance lease receivables amounting to HK$35,826,000 (2021: HK$144,774,000) were guaranteed by related parties of customers and/or customers' deposits. No finance lease receivables (2021: carrying amounts of HK$100,606,000) were pledged as security for the Group's borrowings.

As at 31 December 2021, finance lease receivable net of impairment allowance amounting to RMB82,000,000 (equivalent to approximately to HK$100,606,000), relates to a finance lease lessee is under a reorganisation process, a provisional restructuring plan of which had been approved by its creditors and a provincial court but is still subject to selections of different compensation schemes by some common creditors before execution. As disclosed in note 6, in September 2022, BJEG received a final judgement from the Higher People's Court of the Shanxi Province of the PRC and the directors of the Company, after taking into account the legal advice, determined that the Company does not retained any contractual rights to the cash flows from that finance lease receivables and hence derecognised the finance lease receivable with gross amount of RMB200,000,000 and impairment allowance of RMB118,000,000.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that was needed to be recorded as at the end of the reporting period.

The movements in impairment allowance on finance lease receivables are as follows:

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the year	**149,682**	143,700
Amounts recognised during the year, net	**2,906**	4,831
Amounts written off/derecognised during the year	**(137,151)**	(3,623)
Exchange realignment	**(8,087)**	4,774
At the end of the year	**7,350**	149,682

Security deposits received from customers at the end of the reporting period represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases.

As at 31 December 2022, deposits of HK$15,772,000 (2021: HK$28,746,000) have been received by the Group to secure certain finance lease receivables and classified into current or non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing, carried effective interest rate ranged from 4.75% to 11.15% (2021: 4.75% to 11.15%) per annum. In addition, the finance lease receivables are secured over the leased assets, mainly plant and machinery leased, at the end of the reporting period. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

15. LOAN RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Receivable from a sale-leaseback transaction *(Note a)*	**152,645**	165,631
Trust loan receivables	**11,593**	42,451
Other loan receivables	**–**	56,000
	164,238	264,082
Less: Impairment allowance	**(154,906)**	(105,513)
	9,332	158,569
Analysed for reporting purposes as:		
Current assets	**–**	97,539
Non-current assets	**9,332**	61,030
	9,332	158,569

Note:

(a) During the year ended 31 December 2019, the Group entered into a sale-leaseback transaction agreement with a lessee, an independent third party, with gross amount of RMB135,000,000 (approximately HK$152,645,000) (2021: RMB135,000,000, approximately HK$165,631,000) 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.

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.

As at 31 December 2022, the receivable from sale-leaseback transaction was fully impaired (2021: impairment allowance of HK$103,059,000) as the restructuring plan is still in process, 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) (2021: reversal of impairment loss on lifetime ECLs of RMB7,000,000 (approximately HK$8,454,600)) recognised in profit or loss during the year.

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

	2022	2021
	HK$'000	*HK$'000*
Balance at beginning of the year	**105,513**	137,142
Amounts recognised/(reversed) during the year, net	**59,277**	(9,663)
Amounts written-off during the year	**–**	(25,509)
Exchange realignment	**(9,884)**	3,543
Balance at end of the year	**154,906**	105,513

16. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables from trading business	**15,131**	14,386
Less: Impairment allowance	**(752)**	(752)
	14,379	13,634

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:

	2022	2021
	HK$'000	*HK$'000*
0-30 days	**5,427**	13,271
31-90 days	**2,474**	302
91-270 days	**2,191**	61
Over 270 days	**4,287**	–
	14,379	13,634

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

	2022	2021
	HK$'000	*HK$'000*
Balance at beginning of the year	**752**	151
Amounts recognised during the year	**–**	601
Balance at end of the year	**752**	752

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Other receivables *(Note a)*	**41,131**	23,185
Prepayments	**4,918**	9,245
Prepayment for acquisition of property	**–**	17,847
Prepayments for purchases of goods	**9,716**	17,412
Deposits	**965**	13,236
	56,730	80,925
Less: Impairment allowance	**(8,305)**	(8,957)
Total other receivables, deposits and prepayments	**48,425**	71,968
Analysed for reporting purposes as:		
Current assets	**48,425**	54,121
Non-current assets	**–**	17,847
	48,425	71,968

Note:

(a) An amount due from an individual third party RMB12,000,000 (equivalent to approximately to HK$13,568,000), net of impairment allowance of RMB7,300,000 (equivalent to approximately to HK$8,254,000) (2021: RMB14,000,000 (equivalent to approximately to HK$17,176,000), net of impairment allowance of RMB7,300,000 (equivalent to approximately to HK$8,957,000)), is unsecured, interest-free and repayable within twelve months after the end of reporting period.

For the year ended 31 December 2022, the Group made prepayment of approximately RMB10,000,000 (equivalent to HK$11,307,000) to a supplier for plant and equipment. In December 2022, as the supplier was unable to deliver the plant and equipment as originally planned, the Group have entered into a supplemental agreement with the supplier for cancellation of the purchase and request for the refund. Up to the date of this announcement, the Group has received the full refund.

For the years ended 31 December 2022 and 2021, the Group made prepayment of approximately HK$22,954,000 to a supplier of goods and has received HK$6,700,000 in cash for refund and HK$2,200,000 was settled by inventories. Up to the date of this announcement, the Group and the supplier entered into a deed of settlement and the balance is repayable in the coming twelve months from the date of this announcement.

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

	2022	2021
	HK$'000	*HK$'000*
Balance at beginning of the year	**8,957**	800
Amounts recognised during the year	**50**	8,817
Amounts written-off during the year	**–**	(800)
Exchange realignment	**(702)**	140
Balance at end of the year	**8,305**	8,957

18. OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$'000	*HK$'000*
Accruals	**11,643**	14,645
Interest payables *(Note a)*	**41,138**	63,799
Receipt in advance *(Note b)*	**14,957**	4,127
Other payables	**5,895**	7,116
Total other payables and accruals	**73,633**	89,687

Notes:

(a) As at 31 December 2022, the balances mainly represent accrued interest cost of one borrowings (2021: two) in which the leveraged lease transactions were defaulted.

(b) As at 31 December 2022, the balances mainly represent rental payment received in advance from leasee for a lease of a 3 years period as stated in the agreement of RMB12,767,000 (equivalent to HK$14,435,000).

19. BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Secured *(Note a)*:		
Bank borrowings	**152,645**	411,011
Other borrowings	**–**	12,269
	152,645	423,280
Unsecured *(Note b)*:		
Bank borrowings	**–**	411
	152,645	423,691

As at 31 December 2022 and 2021, all bank and other borrowings are repayable within one year.

Notes:

(a) The bank borrowing as at 31 December 2022 is interest bearing at 9.00% per annum, secured by a loan receivable and guaranteed by the related parties of the Group's customer (2021: bank and other borrowings at floating rates ranged from 4.75% to 9.00% per annum, secured by machinery and equipment leased to customers under finance lease, restricted bank deposits and/or finance lease receivables of the Group, of which approximately HK$165,631,000 was also guaranteed by the related parties of the Group's customer).

(b) The unsecured bank borrowings as at 31 December 2021 were interest bearing at fixed rates of 4.92% per annum.

20. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Nominal value
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	4,000,000	400,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,687,303	168,730

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$77.8 million in the year ended 31 December 2022 ("2022") as compared to that of HK$123.6 million in the year ended 31 December 2021 ("2021"). The Group recorded a gross profit of HK$14.3 million in 2022 as compared to the gross loss of HK$3.8 million in 2021 and net profit of HK$43.6 million in 2022 as compared to the net loss of HK$62.7 million in 2021.

For the year under review, the financial leasing segment of the Group (the "Financial Leasing Segment") has contributed a segment profit of HK$75.1 million, as compared to a segment loss of HK$42.2 million in 2021. The decrease in loss is mainly due to recognise of one-off net gain on derecognition of financial assets and financial liabilities at amortised cost of approximately HK$169.4 million, the directors of the Company after taking into account the legal advice, determined that the Group does not retained any contractual rights to the cash flows from the finance lease receivables and the associate obligations due to bank are discharged which is under litigation in 2021.

During 2022, the Group operated the business of manufacturing and sale of solid sorbitol in the first half of 2022 and compound food additives in its food additives business and its was starting to manufacture Chlamydonas Reinhardtii Nutritional powder in the second half of 2022 (the "Food Additives Segment"). The Group also engaged in research and development of new products such as Advantame, highly extreme sweeteners and EPS, clinic diagnostic reagent. During the year under review, the segment recorded a net loss of HK$7.6 million in 2022, representing a decrease of HK$4.0 million from a net loss of HK$11.6 million in 2021. The decrease in loss is mainly attributable to change of gross loss of HK$3.2 million recorded in 2021 to gross profit of HK$0.5 million recorded in 2022.

The investment segment of the Group (the "Investment Segment") recorded a net profit of HK$12.0 million in 2022 as compared to a net profit of HK$2.5 million in 2021. The increase in net profit was mainly due to (1) an increase in gain on change in fair value of investment properties by HK$27.6 million, as a result from a loss of HK$10.7 million in 2021 to a gain of HK$16.9 million in 2022; and offset by (2) an increase in loss on fair value change of financial assets at fair value through profit or loss by HK$20.5 million, as a result from a gain of HK$5.7 million recorded in 2021 to loss of HK$14.8 million recorded in 2022.

During the year under review, the Group engaged in trading business. The trading segment of the Group includes (i) it carries out production, wholesale, distribution and trading of daily necessities, including personal care and sanitising products as well as face masks under its own brand or as original equipment manufacturer (OEM) for other brands and related commercial activities in Hong Kong and (ii) sale of medical and health products in Hong Kong. It recorded a net loss of HK$7.1 million in 2022 as compared to a net profit of HK$6.6 million in 2021 and it was mainly due to write-off of inventories of HK$7.2 million in 2022.

After taking into account of the corporate and other expenses and finance cost of HK$29.0 million in 2022 (2021: HK$33.9 million), a net profit arising from share of results of associates in 2022 of HK$1.6 million (2021: net profit of HK$21.3 million), loss of certain unallocated other income, gains and losses of HK$0.7 million (2021: losses of HK$1.2 million), income taxation expense of HK$0.5 million in 2022 (2021: HK$4.1 million), the Group recorded a net profit of HK$43.6 million (2021: net loss of HK$62.7 million) and a net profit attributable to the owners of the Company of HK$7.0 million in 2022 (2021: net loss of HK$40.6 million).

A significant decrease in net loss from HK$62.7 million in 2021 to net profit of HK$43.6 million in 2022 was primarily due to (i) net gain on derecognition of financial assets and financial liabilities at amortised cost; and (ii) the impairment loss recognized on loan receivables.

Revenue and gross profit

During the year, the Financial Leasing Segment recorded revenue and gross loss of HK$6.0 million and HK$10.0 million respectively (2021: revenue of HK$3.2 million and gross loss of HK$27.5 million), representing a increase of 88% in revenue and an decrease of 64% in gross loss as compared to the previous year. The revenue of this segment mainly represents (i) service fee income for financing arrangement and consultancy services and (ii) interest income generated from financial leasing and provision of loan facilities. The cost of sales mainly represents (i) service cost to banks and other non-bank financial institutions on various kinds of factoring and consultancy services and (ii) interest expenses on back-to-back borrowings from banks and other non-bank financial institutions. The main customer base primarily includes large corporations covering industries of energy resources, manufacturing, transportation and public utility construction, property management and education sectors.

During the year, the segment revenue continued to shrink as a result of lack of completed conventional finance lease transactions and the service fee income therefrom under an unfavorable operating environment in the People's Republic of China (the "PRC"). Against the backdrop of the stringent regulatory oversight of the finance lease industry and its resulting difficulties to source back-to-back credit from banks to leverage prospective transactions, the Group has cautiously applied its own capital to finance the business in this segment and thus reduced the business volume. The gross loss was incurred primarily because of the negative net interest spread of two financial leasing projects on recourse basis where the interest cost accrued from the borrowings was greater than the income from the respective defaulted receivables. The magnitude of such outnumbered the gross profit of the segment and even the Group's and consequently turned them into a gross loss position.

Under the Investment Segment, the money lending business and property development recorded revenue and gross profit both at HK$9.1 million in 2022 (2021: both at HK$11.2 million), representing a decrease of 19% in both from those of 2022, respectively.

The revenue in this segment represents loan interest income from the provision of loan facilities carried out by a licensed subsidiary of the Company in Hong Kong and rental income from letting out office properties in Hong Kong, Shanghai and Liaoning in the PRC. The decrease in the segment revenue and gross profit is mainly due to early settlement of loan receivables during the year and a waiver of rental income for a three months period from June to August 2022.

The business from the Food Additives Segment recorded revenue of HK$2.1 million (2021: HK$5.7 million) and gross profit of HK$0.5 million in 2022 (2021: gross loss of HK$3.2 million). The revenue and cost of sales of the business mainly represent the sales income and manufacturing cost of solid sorbitol from the production base in the Liaoning province, the PRC in the first half of 2022 respectively. Due to lack of economy of scale as a result of started to terminate the solid sorbitol production line in the second half of 2022, the Food Additives Segment incurred a slightly gross profit in 2022 from gross loss in 2021.

The Trading Segment recorded revenue and gross profit of HK$60.5 million and HK$14.7 million in 2022 (2021: revenue of HK$103.5 million and gross profit of HK$15.7 million). The decrease in the segment revenue in 2022 was mainly due to a decrease in trading volume of medical and health products and the gross profit is mainly due to high mark-up at cost in December 2022 and hence slightly decreased by 6.4%.

The overall decrease in the Group's revenue and the increase in the Group's gross profit was mainly due to the significant decrease in the revenue of the Trading Segment and Food Additives Segment due to sales volume was decreased and affected by the macro-economic environment. The significant improvement from gross loss in 2021 to gross profit in 2022 was mainly due to reversal of net interest spread from one of financial leasing projects, the Group turned into in gross profit in 2022.

Other income

The other income of the Group in 2022 mainly comprised of dividend income, government subsidies, interest income from trust products and highly liquid wealth management investments issued by non-bank financial institutions in the PRC and bank interest income. The increase was primarily due to the increase in dividend income from financial assets at fair value through profit or loss and government subsidies.

Other gains and losses

The other gains and losses in 2022 amounted to a net gain of HK$160.5 million (2021: net loss of HK$12.5 million), mainly comprising of fair value gain on investment properties of HK$16.9 million, a fair value loss on financial assets at FVTPL of HK$27.7 million and further being offset by one-off net gain or derecognition of financial assets and financial liabilities at amortised cost of HK$169.4 million. Please refer to note 6 to the consolidated financial statements for breakdown and their changes for the 2022 and the comparative figures in 2021.

Administrative expenses and other operating expenses

The Group's administrative and other operating expenses for the year mainly included staff costs (including directors and chief executive's emoluments) of HK$34.3 million (2021: HK$40.1 million), legal and professional, depreciation of property, plant and equipment and various administrative expenses. The Group's administrative expenses and other operating expenses remains stable attributed by a decrease in staff costs, an increase in selling expenses for trading segment and a donation made to Tenant of Public Housing Care Association during 2022.

Share of associates' results

The share of results of associates amounted to a net profit of HK$1.6 million in 2022 as compared with a net profit of HK$21.3 million in 2021. The result was mainly due to the decrease in the sharing of profits of Top Insight and Simagi of HK$0.2 million and HK$1.4 million as compared with HK$18.8 million and HK$0.3 million in 2021 respectively.

Income taxation

Income tax expense for the year amounted to HK$0.5 million (2021: HK$4.1 million), mainly comprising of (i) a deferred tax credit of HK$0.1 million and (ii) a provision for current tax for current and prior years of HK$0.6 million in Hong Kong.

FINANCIAL POSITION

The total asset amount of the Group as at 31 December 2022 amounted to HK$801.3 million, representing a decrease of HK$280.2 million as compared with HK$1,081.5 million as at 31 December 2021. The decrease in total asset was mainly due to derecognition of financial assets and financial liabilities at amortised cost and fair value losses on equity investments at FVTOCI and impairment on loan receivables. As at 31 December 2022, the Group's total liabilities dropped by HK$301.1 million to HK$264.7 million from HK$565.8 million as at 31 December 2021, while the Group's total borrowings dropped by HK$271.1 million to HK$152.6 million from HK$423.7 million as at 31 December 2021.

The gearing ratios (which is calculated from the total liabilities over total asset) significantly decreased from 52.3% as at 31 December 2021 to 33.0% as at 31 December 2022 due to offset a financial asset and a financial liability and the net amount presented in the consolidated statement of financial position as the Group currently has a legally enforceable right to set off the recognised amounts in Qinghai project. The current ratios (which is calculated from total current assets over total current liabilities) increased from 0.9 as at 31 December 2021 to 1.3 as at 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, 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$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 (2021: HK$18.4 million)) as compared to HK$55.3 million as at 31 December 2021. As at 31 December 2022, the Group had bank and other borrowings amounting to HK$152.6 million (2021: HK$411.4 million), HK$nil (2021: HK$12.3 million) which are due within one year of interest rates at 9.0% (2021: 4.75% to 9.0%) respectively.

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

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2022, 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 2022.

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 the financial leasing services in the PRC carried out by non-wholly owned subsidiaries (namely, Beijing Ever Grand International Financial Leasing Co. Limited ("BJEG") and its subsidiaries (collectively, "BJEG Group")) and the loan financing services carried out by TF Advances Limited ("TF Advances") in Hong Kong.

The financial leasing service in the PRC

Business model

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

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

Internal control procedures

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

Credit risk assessment of customers

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

Mechanism in determining loan terms

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

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

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

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

Approval process for granting loans

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

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

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

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

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

Monitoring loan repayment and recovery

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

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

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

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

Taking actions on delinquent loans

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

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

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

The loan financing services in Hong Kong

Business model

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

Internal control procedures

Credit risk assessment of customers

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

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

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

Mechanism in determining loan terms

(ii) The operation team of TF Advances will determine the offer terms of the loan such as the amount and the interest rate of the loan and the period of repayment, on a case-by-case basis considering the applicant's background and other factors (if applicable) such as the following:

a) Tenor of the loan;

b) Any personal or corporate guarantee;

c) Any encumbrances on the collateral and its liquidity and marketability;

d) Valuation of the mortgaged real estate (if any);

e) Salary income proof, duration of current employment, personal net worth for individual customers;

f) Financial position and performance on the latest auditor's report/management accounts;

g) Proposed use of proceeds;

h) Benchmarking performed by obtaining quotations of the prospective loans in kind by other peers.

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

Approval process for granting loans

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

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

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

Monitoring loan repayment and recovery

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

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

Taking actions on delinquent loans

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

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

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

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

TOP FIVE BORROWERS

The following table sets out the top five borrowers of the Group and the respective 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 2022 Principal Amount** ***HK$'000***	**Percentage to the total gross principal amount**	As at 31 December 2021 Principal Amount *HK$'000*	Percentage to the total gross principal amount
Gross:						
Customer 1 – 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%**	165,631	29.2%
Customer 2	FL	11.15% per annum, 2 to 3 years ending in Nov 2023 and Aug 2024, secured by leased equipment and guaranteed by its former holding company.	**33,921**	**15.2%**	36,807	6.5%
Customer 3	FL	10.14% per annum, 2 years ending in Dec 2023, secured by leased equipment	**7,915**	**3.6%**	8,588	1.5%
Customer 4	FL	6.69% per annum, 1 year ending in Nov 2023, secured by leased equipment	**7,915**	**3.6%**	–	–
Customer 5	FL	6.69% per annum, 1 year ending in Nov 2023, secured by leased equipment	**7,915**	**3.6%**	–	–
Others – Qinghai	FL	5.46% per annum, 5-years ending in April 2023, secured by leased machinery and guaranteed by its ultimate holding company.	**–**	**–**	245,380	43.3%
Others	Loan	10% per annum, 1-year ending in Jan 2023, secured by a share charge by a chargor company in which Customer 3 indirectly owned 90% equity interest.	**–**	**–**	56,000	9.9%
Others	FL	4.75% per annum, 5-years ending Jan 2022, secured by leased machineries and security deposit.	**–**	**–**	12,269	2.2%
Others – treasury investment *(Note 5)*	Loan		**11,593**	**5.2%**	42,451	7.4%
Total gross principal amount			**221,904**	**100%**	567,126	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 2022 balance	Notes	**As at 31 December 2022 Amount of Provision** *HK$'000*	**Percentage to the total provision**	As at 31 December 2021 Amount of Provision *HK$'000*	Percentage to the total provision
Gross:							
Less: Provision for impairment losses							
Customer 1 – Sanya	Loan	3	*Note 1*	**(152,645)**	**94.2%**	(103,059)	40.4%
Customer 2	FL	1	*Note 2*	**(5,314)**	**3.2%**	(3,681)	1.4%
Customer 3	FL	1	*Note 3*	**(1,583)**	**1.0%**	(1,227)	0.5%
Customer 4	FL	1	*Note 4*	**(113)**	**0.1%**	–	–
Customer 5	FL	1	*Note 4*	**(113)**	**0.1%**	–	–
Others – Qinghai	FL	3		**–**	**–**	(144,774)	56.7%
Others – treasury investment *(Note 5)*				**(2,261)**	**1.4%**	(2,454)	1.0%
Total provision				**(162,029)**	**100%**	(255,195)	100%
Total net amount				**59,875**		311,931	

Basis of Assessment of ECL

ECL assessment on receivables are performed individually based on probability-weighted expected credit losses of multiple possible events ("PWECL") model adopted in accordance with HKFRS 9, which involves 4 key parameters, namely (i) Exposure at default ("EAD"); (ii) probability of default ("PD"); (iii) Loss given default ("LGD") or 100% minus recovery rate upon default ("Recovery Rate"); and (iv) discount rate. The depth of PWECL model depends on the year end status of recoverability of each receivables which are classified into 3 stages from the lowest stage 1 to the highest stage 3 further set out in note 35 and summarised as below. References are made to an announcement dated 3 September 2021 for capital terms used and further details.

Type of stage	Year end status of recoverability	Length of assessment
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.

The provision for impairment losses on receivables decreased by HK$92.9 million from HK$255.2 million as at 31 December 2021 to HK$162.3 million primarily because of a net gain on derecognition of financial assets and financial liabilities at amortised cost; and (ii) the impairment loss recognized on loan receivables.

Other than this, there was a relatively mild increase or decrease in provision for each receivable that offset each other and did not impact on the total during the year.

Notes:

1. As at 31 December 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% (2021: 62%) or recovery rate of 0% (2021: 38%) and discount factor of 1.0 (2021: 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.

2. 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% (2021: 1.2%), LGD of 52.6% (2021: 61.9%) or recovery rate of 47.4% (2021: 38.1%) 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.

3. 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% (2021: 1.2%), LGD of 52.6% (2021: 61.9%%) or recovery rate of 47.4% (2021: 38.1%) and discount factor of 1 (2021: 1.2). There was a slightly overprovision for ECL of approximately HK$0.4 million because of the timing factor changed.

4. As at 31 December 2022, the cumulative ECL amount of HK$0.1 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. The receivable was newly acquired in 2022 and no comparison with prior year can be made.

5. The receivables made for treasury investment purpose are mainly trust products issued and managed by trust management companies in the PRC and not considered part of the principle activities of the money lending business.

CHARGE OF ASSETS

As at 31 December 2022, the restricted bank deposits of HK17.0 million (as at 31 December 2021: HK$18.4 million) and the finance lease receivables of HK$nil (2021: HK$100.6 million) were pledged to the banks and other non-bank financial institutions for facilities granted to the Group.

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

CONTINGENT LIABILITIES

As at 30 June 2022, 31 December 2021 and 30 June 2021, there was a litigation in the People's Republic of China (the "PRC") about an alleged breach of loan contract brought by The ExportImport Bank of China ("EXIM Bank") against Beijing Ever Grand International Financial Leasing Co. Limited ("BJEG"), a non-wholly owned subsidiary of the Company in the PRC. A court hearing was held in late April 2021. The loan contract was related to Qinghai Pingan High-precision Aluminum Industry Co., Ltd ("Qinghai"), and its terms and amount of loan proceeds were back-to-back with those of the finance lease agreement with Qinghai. In this appeal, EXIM Bank as an appellant appealed to overturn the judgement at the first instance (Notification [2020] Shan 01 Min Chu 659) handed down by the Intermediate People Court of Xi'an City, Shanxi Province which dismissed EXIM Bank's claims brought against BJEG regarding the alleged breach of loan contract in December 2020. In the appeal case, EXIM Bank reinstated its claims to require BJEG to repay the outstanding principal, overdue interests (i.e. normal, compound and penalty to be charged at 50% of the prevailing commercial lending standard rate of the same kind in the PRC plus 15%) under the loan contracts and court fees or requested to return the case for retrial. As at 30 June 2022, the relevant carrying amount of outstanding principal and interest amounted to RMB200 million and RMB33.3 million recorded in borrowing and other payable, respectively. The board of directors of the Company announces that in September 2022, BJEG received the second trial civil judgement of the appeal case (which is a final judgement) pursuant to which, among others, the Higher People's Court of the Shanxi Province of the PRC dismissed the appeal. After discussion with its PRC legal adviser and auditors in relation to it and thereafter no financial impact from the judgement. The Company was finalisation with its PRC legal adviser and auditors as at 31 December 2022.

Save as disclosed hereinabove, the Group had no other material contingent liabilities as at 31 December 2022.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had no capital commitments (2021: HK$0.1 million) for the acquisition of property, plant and equipment.

PROSPECT

Looking ahead, under the combined effect of a series of factors such as global trade friction, geopolitical conflicts and high inflation in developed countries, the global economy is still under great pressure to stabilize and recover. With rather low inflation pressure and loosened monetary policies in China, the national economic growth rate shall gradually recover and rebound in the future as the impacts of the epidemic gradually weaken and various measures in stabilizing growth take effect. Meanwhile, the Chinese government achieved positive results in the efficient coordination of pandemic prevention and control as well as in socio-economic development, which stabilised the macro-economy and achieved continuous expansion in the total economic volume and steady improvement in the quality of development. Stepping into 2023, as the US Federal Reserve's interest rate hike is approaching to the end and with the normalisation of the pandemic preventive controls and expand domestic demand, the mainland economy has begun to recover gradually and comprehensively, which is expected to bring new development opportunities. Bounded by factors such as changes in industry regulations, downward economic cycle, and intensified competition in the industry, the number of entities in the financial leasing industry and the balance of financial leasing businesses both declined in 2022. The development of the industry entered a critical period of transformation and optimisation.

Green transformation, digital economy and equipment upgrading continued to grow and added momentum to industry transformation. In the future, with the upgrading of domestic industries, the recovery of macro-economy and the gradual strengthening of the internal circle policies, coupled with the business transformation of financial leasing companies and the adjustment and adaptation of regulatory policies, it is expected that the financial leasing industry will maintain a healthy development and better contribute to the economic development.

In Hong Kong where the Group has been placing emphasis on domestic consumption market especially on the consumer products found in pharmacies, economic recovery remained robust through successful implementation in COVID-19 containment measures and a series of anti-epidemic subsidies schemes launched by the Hong Kong government. The Group will adjust sales strategies, optimise the product mix, and strengthen brand marketing and promotion to adapt the changes of demand and consumption behaviour in the post-COVID-19 era, to further expand the scale of proprietary business and new sales channels. Strategic cooperations will be established to strengthen the competitiveness and market share of the Group in the market.

As to the Financial Leasing Segment, the restructuring plans of two defaulted customers had been approved by the court and their creditors and the execution of the plans were still under progress as at year end of 2021. However, one of the defaulted customers received the second trial civil judgement of the appeal case, which is a final judgement in September 2022. After taking into account the legal advice, determined that it does not retained any contractual rights to the cash flows from the finance lease receivables of customer, with carrying amounts net of impairment allowance as at 31 December 2021 of RMB82 million; and the associate obligations due to EXIM Bank are discharged. For another defaulted customers, the greater effort has been put to sort out the creditors of defaulted recourse businesses and enormous amount of negotiations with the creditors and gathering favorable admissible evidences. All in all, it continues to adhere to the risk management and control policies to critically evaluate any potential adverse change in credit risk of other existing finance projects and promptly take recovery actions in a bid to safeguard the Group's assets. At the same time, it has been exploring new business model to thrive under the prevailing regulatory requirements and targeting customers in various sectors.

As to the Investment Segment, the Group will continue to adopt a conservative investment strategy towards the investment portfolio comprising of equity, debt and real estate. With the robust risk management and control policies, the Group will closely assess its performance and optimize its composition in order to strike a balance between a stable return and the necessary liquidity of the Group.

As to the Food Additives Business, with a high cost profile of the manufacturing process, such as the surge in raw material price of sorbitol, it is uneasy to shift the burden to customers and thus the Group stopped to manufacture and sales of solid sorbitol. In the second half of 2022, the Group was starting to manufacture Chlamydonas Reinhardtii Nutritional powder in order to tackle the persistent problem of economic of scale and build up the bargaining power with customers from this new production line. This expansion plan has been subject to new fresh capital and at the trial stage to produce the products. In the meantime, the segment will continue to enhance the production stability, broaden the customer base and market shares in different provinces and industries, and optimize the production process to reduce operating costs, and conduct research and development of new products.

As to the Trading Segment, it will emphasize on product diversification, various distribution channels and widening customer base in different territories to bolster the business volume. In addition, seeking partnerships with various healthcare companies and other commercial business partners allows the segment to expand its product line into the fields of maternal and child healthcare as well as medicines, and into different types of customers. Leveraging a wholesaler licence in proprietary Chinese medicines ("PCMs"), the Group seeks direct exclusive distributorship of PCMs with manufacturers to enhance profitability. This direct exclusivity will also boost sales as it puts the segment into advantageous position to deal with sizable distributors and retailers who look for stability of supplies and better terms. At the meantime, the Group entered into continuing connected transactions with Top Empire International Limited ("TEI") under TEI Framework Purchase Agreement on 10 January 2023 which expects to expand its Products portfolio with the Product to the PRC market. Leveraging the personal network and expertise in the industry, establishment of extensive distribution network of small and medium dispensaries in Hong Kong and the public awareness of hygiene and health during the pandemic, the future demand for health and hygiene products, personal care and other medical products that the segment offers looks promising. The Group will remain committed to cultivate the business and consider it as a growth impetus in the future.

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

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

At 31 December 2022, the Group held loan receivables (excluding from a loan receivable from sale-leaseback transaction and those from money lending business) of HK$9.3 million (2021: HK$40.0 million), equity investments at FVTOCI of HK$93.2 million (2021: HK$108.8 million) and financial assets at FVTPL of approximately HK$123.3 million (2021: HK$147.1 million).

During the year, the Group invested in loan receivables through 1 to 3 years trust products of HK$11.6 million (2021: HK$42.5 million) issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$2.4 million (2021: HK$3.1 million) and a reversal of impairment loss on loan receivables of HK$nil (2021: impairment loss of HK$1.2 million).

The equity investments at FVTOCI of HK$93.2 million as at 31 December 2022 (2021: HK$108.8 million) represented unlisted equity securities issued by the PRC and Hong Kong private entities with operations including manufacturing and sales of medical equipment, rockets and satellite network, new materials for industrial and medical equipment, batteries for EV cars, provision of asset management of unlisted investments in the PRC and SFC licensed business activities of type 1, 2, 4, 5 and 9 in Hong Kong. There was a fair value loss of HK$6.7 million recognised through other comprehensive income in 2022 (2021: a fair value loss of HK$18.7 million) and no dividend income was recognised to profit or loss in 2022 and 2021 from the equity investments at FVTOCI.

The equity investments at FVTOCI as at 31 December 2022 included the equity investment of 55,500,000 shares of Imagi Brokerage Limited (“Imagi Brokerage”), representing approximately 9.69% of the total issued shares of it (as at 31 December 2021: 55,500,000 shares or 9.69%), whose fair value was HK$54.9 million or approximately 6.85% of the Group’s total asset (as at 31 December 2021: HK$55.7 million or 5.15%) and the cost was HK$74.3 million. The Imagi-Brokerage mainly carries out businesses of type 1, 2, 4, 5 and 9 regulated activities licensed by the Securities and Futures Commission (the “SFC”) in Hong Kong. With no dividend income received, there was an unrealized fair value loss of HK$0.8 million recognised to other comprehensive income in the current period (2021: HK$18.6 million), which is mainly due to significant operating losses of the Imagi-Brokerage caused by material fair value losses in listed equity investments though its revenue from brokerage and asset management services increased significantly. The purpose of the investment is mainly to bring returns to the Group by dividends and capital growth. Details of the investment are summarised as below:

Name of Investment Company	Place of incorporation	Securities held by the Group	Proportion of ownership held by the Group		Percentage to the Group’s net asset		Nature of business	Investment cost (HK$ million)	As at 31 December FVTOCI (HK$ million)		As at 31 December Fair value loss (HK$ million)		As at 31 December Dividend income (HK$ million)	
			2021	2022	2021	2022			2021	2022	2021	2022	2021	2022
Imagi Brokerage Limited	Hong Kong	55,500,000 shares	9.69%	9.69%	5.15%	6.85%	Type 1, 2, 4, 5 and 9 regulated activities licensed by the SFC	74.3	55.7	54.9	18.6	0.8	Nil	Nil

Other than Imagi Brokerage, the Group held no other single significant investment, classified as the equity investments at FVTOCI, in any investee company with a value of 5% or more of the Group’s total assets as at 31 December 2022 and 2021.

The financial assets at FVTPL of HK$123.3 million as of 31 December 2022 (2021: HK$147.1 million) comprised of (i) 9 different unlisted fund and equity products in the PRC of HK$64.4 million (2021: 10 different unlisted fund and equity products in the PRC of HK$72.2 million) and (ii) numerous listed equity shares and bonds of HK$58.8 million in the Hong Kong and the Chinese stock exchanges (2021: HK$74.9 million). There was a fair value loss of HK$27.7 million recognised to profit or loss in 2022 (2021: fair value gain of HK$17,000).

The Group held no single investment classified as the financial assets at FVTPL with a value of 5% or more of the Group's total assets as at 31 December 2022 and 2021.

As at 31 December 2022, the Group held two investment properties with aggregate fair value of HK$147,670,000 (2021: HK$142,369,000) let out for rental income in Shanghai and Liaoning the PRC. During the year, the Group recorded total rental income of HK$4,699,000 (2021: HK$5,713,000) and total unrealised fair value gain of HK$16,923,000 (2021: fair value loss of HK$10,701,000).

Shanghai property is a 3-storey industrial building located in 188 Xinjunhuan Road, Minhang District, Shanghai, the PRC. 1-storey industrial building was disposed to a third party at the consideration of approximately HK$11,784,000 on 7 November 2022.

Liaoning property is 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.

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

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2022.

EMPLOYEE AND REMUNERATION

As at 31 December 2022, the Group had approximately 65 (2021: 98) 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 2022 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:

	Total revised planned use of Net Proceeds *(HK$' million)*	**Actual use of Net Proceeds as at 1 January 2022** *(HK$' million)*	**Actual use of Net Proceeds as at 31 December 2022** *(HK$' million)*	**Unutilised amount of Net Proceeds as at 31 December 2022** *(HK$' million)*	**Expected timeline for the intended use**
Improving and enhancing the existing production lines for Food Additives Business	4.7	–	–	4.7	31 December 2023
Working capital of the Food Additives Business	6.3	(6.3)	–	–	–
Purchasing the medical, health and hygiene products for trading purpose	15.0	(15.0)	–	–	–
General Working Capital of the Group	6.2	(6.2)	–	–	–
	32.2	(27.5)	–	4.7	

Due to the continuous outbreak of the COVID-19 Pandemic which disrupted the Food Additives Business, there has been a delay in the application of the unutilised proceeds allocated to improving and enhancing the existing production lines for Food Additives Business to the early of 2023. The remaining unutilised proceeds of HK$4.7 million allocated to improving and enhancing the existing production lines for Food Additives Business has been deposited into bank accounts in Hong Kong.

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 5 June 2023 to 8 June 2023 (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., 2 June 2023.

CORPORATE GOVERNANCE PRACTICE

During the financial year ended 31 December 2022, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations as below:–

Code Provision 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 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG code, for the purposes of reviewing and providing supervision over the financial reporting process, risk management and internal controls of the Group. The audit committee comprises 3 independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2022 have been reviewed and approved by the audit committee.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL 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 2022 on this announcement have been agreed by the auditors of the Company, Confucius International CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the same period. The work performed by Confucius International 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 Confucius International CPA Limited on this preliminary announcement.

ANNUAL REPORT

The 2022 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.
Lai Ka Fai
Executive Director

Hong Kong, 29 March 2023

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