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CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Financial Leasing Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 December 2020 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	113	1
Other income	5	2,846	—
Net loss on financial assets at fair value through profit or loss		(14,114)	(47,463)
		(11,155)	(47,462)
Administrative expenses		(7,374)	(18,688)
Loss from operations		(18,529)	(66,150)
Finance costs	6	(1,115)	(682)
(Loss)/gain on disposal of subsidiaries, net		(163)	1,149
Loss before tax		(19,807)	(65,683)
Income tax expense	7	—	—
Loss for the year attributable to owners of the Company	8	(19,807)	(65,683)

* *For identification purposes only*

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		1,067	39
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<u>(1,134)</u>	<u>—</u>
Other comprehensive income for the year, net of tax		<u>(67)</u>	<u>39</u>
Total comprehensive income for the year attributable to owners of the Company		<u>(19,874)</u>	<u>(65,644)</u>
Loss per share	<i>10</i>		
Basic (HK cents per share)		<u>1.04</u>	<u>4.09</u>
Diluted (HK cents per share)		<u>1.04</u>	<u>4.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3	4,198
Right-of-use assets		339	714
Financial assets at fair value through profit or loss		—	12,270
Refundable rental deposit		62	—
		404	17,182
Current assets			
Financial assets at fair value through profit or loss		74,514	68,867
Deposits and other receivable		13,002	188
Bank and cash balances		120	862
		87,636	69,917
Current liabilities			
Deposit received		—	2,550
Margin payable and accruals		5,547	14,619
Borrowings		1,650	—
Lease liabilities		270	496
		7,467	17,665
Net current assets		80,169	52,252
Total assets less current liabilities		80,573	69,434
Non-current liabilities			
Lease liabilities		96	220
NET ASSETS		80,477	69,214
Capital and reserves attributable to owners of the Company			
Share capital		38,553	32,133
Reserves		41,924	37,081
TOTAL EQUITY		80,477	69,214
Net asset value per share (HK cents per share)	<i>11</i>	4.17	4.31

Notes:

1. GENERAL INFORMATION

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

The Group is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities on a general perspective.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the Board on 26 March 2021.

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 Property, plant and equipment proceeds before intended use	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non current	1 January 2023

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

4. REVENUE

Revenue recognised during the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income on bank deposits	—	1
Dividend income	<u>113</u>	<u>—</u>
	<u>113</u>	<u>1</u>

The results arising from the fair value change of financial assets at fair value through profit or loss (“FVTPL”) are shown separately in the consolidated statement of profit or loss and other comprehensive income under the line of “Net loss on financial assets at fair value through profit or loss”. The gross proceeds from trading of securities for the year amounted to approximately HK\$65,477,000 (2019: HK\$90,860,000).

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

For both years ended 31 December 2020 and 2019, the Group has identified only one segment and the sole business of this segment is investment in listed and unlisted securities. No separate analysis of segment information by business segment is presented.

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

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on forfeiture of deposit received	2,550	—
Gain on disposal of property, plant and equipment	295	—
Sundry income	<u>1</u>	<u>—</u>
	<u>2,846</u>	<u>—</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on borrowings	41	—
Interest expense on lease liabilities	47	181
Interest on margin payable	<u>1,027</u>	<u>501</u>
	<u><u>1,115</u></u>	<u><u>682</u></u>

7. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the British Virgin Islands during the year (2019: Nil).

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no assessable profit for the year (2019: Nil).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(19,807)</u>	<u>(65,683)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(3,269)	(10,838)
Tax effect of income that is not taxable	(37)	(453)
Tax effect of expenses that are not deductible	(216)	1,494
Tax effect of other temporary differences not recognised	(6,554)	4,132
Tax effect of tax losses not recognised	9,998	5,862
Effect of different tax rate of a subsidiary operating in other jurisdiction	<u>78</u>	<u>(197)</u>
Income tax expense	<u><u>—</u></u>	<u><u>—</u></u>

At the end of the reporting period the Group has unused tax losses of approximately HK\$285,377,000 (2019: HK\$241,020,000) available for offset against future profits and are subject to the approval of Inland Revenue Department. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	335	335
Depreciation of property, plant and equipment	1,147	2,525
Depreciation of right-of-use assets	337	1,452
Government grant [#]	(538)	—
Loss of early extinguishment of lease	2	—
Net foreign exchange loss	<u>258</u>	<u>319</u>

[#] During the year, the Group recognised government grants of approximately HK\$538,000 in respect of COVID-19 related subsidies which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$19,807,000 (2019: HK\$65,683,000) and the weighted average number of ordinary shares of 1,908,354,800 (2019: 1,606,649,882) in issue during the year.

Diluted loss per share

As the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2020 and 2019, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2020 and 2019.

11. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2020 of approximately HK\$80,477,000 (2019: HK\$69,214,000) and the number of ordinary shares of 1,927,649,882 (2019: 1,606,649,882) in issue as at that date.

12. EVENTS AFTER THE REPORTING PERIOD

The realised gains and unrealised losses on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2020 to the date of approval of this results announcement were amounted to approximately HK\$89,000 and HK\$12,568,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2020, the Group was mainly engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.

Global economy declined severely due to the COVID-19 pandemic. Measures to encounter the transmission of the virus severely damaged the real economy activities in the world. Hang Seng Index recorded its lowest price in March 2020, which was approximately 25% lower than 2019. Although the central banks enhanced their loosening monetary policies in 2020 to support the economy, Hang Seng Index still recorded a loss of approximately 3.4% after recovery. The realised losses and unrealised gains (2019: unrealised losses) on financial assets at fair value through profit or loss (“FVTPL”) for the year ended 31 December 2020 are approximately HK\$54,067,000 (2019: HK\$23,854,000) and HK\$39,953,000 (2019: HK\$23,609,000) respectively.

During the year, the Group disposed of the entire issued share capital in Peaceful Gain Limited (“Peaceful Gain”) at a cash consideration of approximately HK\$13,000,000. Peaceful Gain is holding 3% of the registered capital of 深圳聯合能源控股有限公司 through its indirect wholly-owned subsidiary. The Group recorded a gain on disposal of approximately HK\$1,206,000 with a gain of release of foreign currency translation reserve of approximately HK\$1,134,000.

OUTLOOK

The International Monetary Fund revised up the global growth for 2021 from 5.2% to 5.5%, the upward revision reflects expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. The global growth would be dependent on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis. Since Hong Kong market is expected to remain volatile in 2021, the Group will remain cautious on the stock market and the global market environment. The Group will monitor the market movement closely and explore investment opportunities in order to enhance the investment return for shareholders of the Company.

FINANCIAL REVIEW

As at 31 December 2020, the carrying value of the Group’s listed equity investments was approximately HK\$74,514,000 (2019: HK\$68,867,000) while carrying value of the Group’s unlisted equity investment was nil (2019: HK\$12,270,000).

The Group recorded sales proceeds from disposals of trading listed equity securities of approximately HK\$65,477,000 (2019: HK\$90,860,000) for the year ended 31 December 2020. The realised losses and unrealised gains (2019: unrealised losses) on financial assets at fair value through profit or loss for the year ended 31 December 2020 were approximately HK\$54,067,000 (2019: HK\$23,854,000) and HK\$39,953,000 (2019: HK\$23,609,000) respectively. Loss for the year was approximately HK\$19,807,000 (2019: HK\$65,683,000) which was mainly attributable to the operating expenses and equity investments losses. During the year, the deposit received from the yacht buyer of HK\$2,550,000 was forfeited and recognised as other income by the Group.

EQUITY INVESTMENTS

As at 31 December 2020, the Group held financial assets at FVTPL of approximately HK\$74,514,000. Listed below are the particulars of the Group's major listed and unlisted equity securities:

Name of investees	As at 31 December 2020					For the year ended 31 December 2020						
	Number of shares ('000)	Approximate percentage of interest held	Cost (HK\$'000)	Market prices (HK\$)	Market value/fair value (HK\$'000)	Approximate percentage of investment attributable to the Group's net assets	Dividend received (HK\$'000)	Dividend cover	Sales proceeds (HK\$'000)	Realised loss (HK\$'000)	Unrealised gain/(loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)
Listed equity securities												
(a) Hing Ming Holdings Limited (8425) ("Hing Ming")	16,464	4.12%	18,249	1.520	25,025	31.10%	—	N/A	9,747	(2,156)	8,477	6,321
(b) ISP Global Limited (8487) ("ISP")	11,130	1.39%	10,486	1.870	20,813	25.86%	—	N/A	6,137	(82)	11,729	11,647
(c) RMH Holdings Limited (8437) ("RMH")	24,896	4.15%	12,242	0.345	8,589	10.67%	—	N/A	1,992	(466)	6,234	5,768
(d) Miji International Holdings Limited (1715) ("Miji International")	38,870	2.59%	6,362	0.190	7,385	9.18%	—	N/A	21,251	(7,556)	2,269	(5,287)
(e) WAC Holdings Limited (8619) ("WAC")	10,078	1.05%	20,168	0.345	3,477	4.32%	—	N/A	7,563	(44)	(17,446)	(17,490)
(f) C&N Holdings Limited (8430) ("C&N")	12,110	1.89%	5,694	0.203	2,459	3.06%	—	N/A	837	(6,216)	7,343	1,127
(g) LHN Limited (1730) ("LHN")	1,288	Less than 1%	1,277	1.020	1,314	1.63%	54	3.16	—	—	399	399
(h) Future Bright Mining Holdings Limited (2212) ("Future Bright Mining")	N/A	N/A	N/A	N/A	N/A	N/A	—	N/A	4,524	(28,369)	19,573	(8,796)
(i) National Investments Fund Limited (1227) ("National Investments")	19,560	2.14%	3,550	0.044	861	1.07%	—	N/A	978	(3,137)	(2,293)	(5,430)
(j) Wan Leader International Limited (8482) ("Wan Leader")	N/A	N/A	N/A	N/A	N/A	N/A	—	N/A	2,477	(2,276)	1,044	(1,232)
Other listed investments	N/A	N/A	5,818	N/A	4,591	5.70%	59	N/A	9,971	(3,765)	2,705	(1,060)
Sub-total	N/A	N/A	83,846	N/A	74,514	92.59%	113	N/A	65,477	(54,067)	40,034	(14,033)
Unlisted equity securities												
(k) 聯合能源	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,000	—	(81)	(81)
Total	N/A	N/A	83,846	N/A	74,514	92.59%	113	N/A	78,477	(54,067)	39,953	(14,114)

The net fair value losses on listed investments and fair value loss on unlisted investment amounted to approximately HK\$14,033,000 and HK\$81,000 respectively for the year ended 31 December 2020.

For the listed investments held as at 31 December 2020, the net fair value losses attributable to realised losses and unrealised gains were approximately HK\$54,067,000 and HK\$40,034,000 respectively. For those listed investments held but were sold during the year ended 31 December 2020, the net fair value losses attributable to realised losses and unrealised gains were approximately HK\$32,498,000 and HK\$20,615,000 respectively.

For the unlisted investment held during the year, the fair value loss attributable to unrealised loss was approximately HK\$81,000.

(a) Hing Ming

The Investment Committee of the Company (“Investment Committee”) noted that Hing Ming acquired additional tower cranes in order to capture the market demand of rental services of tower crane and meet the needs of customers. It retained technicians and sales person in order to support operation in the tower crane rental business and diversify Hing Ming income stream.

The Investment Committee considered that Hing Ming acquired new motors and other necessary components for replacement of old temporary suspended working platforms, which would strengthen the market position in the suspended working platform industry.

(b) ISP

The Investment Committee noted that the revenue of ISP decreased because there were less projects being awarded to the Group in the integrated sales of sound and communication segment.

The Investment Committee considered that ISP accepted more maintenance and other service contracts for sound and communications system solutions as part of the effort to maintain direct stakeholder relationships with institutions in the healthcare and education sectors. It intended to strengthen the team by employing technical expertise to remain innovative in the integrated systems solutions.

(c) RMH

The Investment Committee noted that the revenue of RMH decreased mainly due to the outbreak of COVID-19 infection in Singapore and worldwide leading to the implementation of various travel restriction and social distancing measures in Singapore posing operational challenges for clinics, the number of patient visits was decreased.

The Investment Committee considered that RMH started operation at both the specialist and aesthetic centre in Hong Kong with encouraging initial result. It incorporated unique feature of immediate and sustained protection from the COVID-19 virus. This has contributed the revenue and mitigated the drop in revenue at clinics due to the restriction imposed by the circuit breaker period.

(d) Miji International

The Investment Committee noted that Miji International reduced the adverse impact of COVID-19 and stimulated its sales performance. The close down of non-profitable consignment stores upon expiry of lease, the delay of opening new consignment stores, the offer of more attractive incentivized to its customers and the increase in the number of product exhibited and other marketing evented to enhance the recognition of its brands and products.

The Investment Committee considered that it would take time for the consumers to regain confidence and the retail industry to fully recover. Miji International would remain prudent on business development and continued to implement appropriate measures to improve its sales performance. It would carefully study the needs and preference of consumers and offered a wider range of products and services.

(e) WAC

The Investment Committee noted that the revenue of the WAC increased which was mainly due to the increase in revenue contribution from structural and geotechnical engineering consultancy service of construction of new properties and e-commerce retail online platform.

The Investment Committee considered that WAC was focusing on developing business opportunities from existing clients and was looking for increasing the types of consultancy services to be provided to various clients. WAC will continually expand its market share by securing more engineering consultancy service contracts.

(f) C&N

The Investment Committee noted that the revenue of the C&N decreased, the decrease was mainly attributable to the declining global trade economy with the emergence of COVID-19, which greatly decreased trading volume and closure of ports around the world, it affected the performance of C&N.

The Investment Committee considered that C&N continued to strive towards providing customers with timely delivery an storage of their containers, and increased service capacity through the acquisition of new vehicles and enhanced overall competitiveness and market share in Singapore.

(g) LHN

The Investment Committee noted that the increase in the revenue of LHN was mainly due to the increase in revenue from the residential properties under the space optimisation business, as well as the facilities management business.

The Investment Committee considered that taking into consideration the challenges affecting the overall operating environment as a result of the COVID-19 pandemic worldwide and fresh hopes of a gradual economic recovery in the coming year due to the news of COVID-19 vaccines reaching new milestones, LHN continued to focus on its efforts to acquire new and retained existing customers, it had business presence in while cautiously exploring new opportunities to expand its current business offerings.

(h) Future Bright Mining

The Investment Committee noted that the increase in the revenue of Future Bright Mining was mainly due to the exploration of new customers during the Period. However, due to the outbreak of COVID-19, both production work and delivery of marble blocks were temporarily suspended in the first few months. As a result, the revenue for the period was adversely affected.

The Investment Committee considered that Future Bright Mining was actively exploring new customers by different ways including through the network of the senior management, it would increase product varieties and recognition through industry exchanges, it expected the business would have a stable growth in the coming years.

(i) National Investments

The Investment Committee noted that the loss of National Investments decreased which was mainly due to the decrease in loss on change in fair value of financial assets at fair value through profit or loss and it had successfully implemented the cost control plans during the period.

On 19 March 2020, National Investments received a winding up petition from an individual on the ground that National Investments was unable to pay its debts. On 8 February 2021, National Investments was ordered to be wound up by the High Court of Hong Kong pursuant to the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong). On the same date, trading in National Investments' shares has been suspended. The Investment Committee will monitor the update information published by National Investments.

(j) Wan Leader

The Investment Committee noted that the increase of the revenue of Wan Leader was mainly due to (i) the security screening services brought in additional revenue; (ii) the increase in the overall selling prices of air cargo spaces, which resulted from the limited supply of air cargo spaces, coupled with surging demand from customers.

The Investment Committee considered that benefiting from the opportunities of the increased demand in air cargo space amid the COVID-19 pandemic, it successfully secured air spaces at compatible prices for its customers. Its extensive network of airlines and other forwarders was able to meet the demands of its customers, and strengthen its competitiveness in the logistics industry.

(k) 聯合能源

The Investment Committee decided to dispose the investment of 聯合能源 during the year and seek for other potential investment opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2020, the Group maintained cash and cash equivalents of approximately HK\$120,000 (2019: HK\$862,000) which were mainly denominated in Hong Kong dollars. The Group will monitor the exposure and take prudent measures when necessary.

As at 31 December 2020, the gearing ratio for the Group was 5.36% (2019: 17.24%) which represents the ratio of the Group's total interest-bearing liabilities to the total equity of the Group.

As at 31 December 2020, the Group had net assets of approximately HK\$80,477,000 (2019: HK\$69,214,000). Except for the margin payable of approximately HK\$2,666,000 (2019: HK\$11,934,000) and borrowings of approximately HK\$1,650,000 (2019: Nil), the Group had no other borrowings or long-term liabilities as at 31 December 2020.

CAPITAL STRUCTURE

As at 31 December 2020, the Company's total issued shares was 1,927,649,882 (2019: 1,606,649,882) of HK\$0.02 each. The Group had no debt securities or other capital instruments as at 31 December 2020.

On 30 December 2019, the Company entered into a placing agreement with Orient Securities Limited ("Orient") as placing agent where Orient agreed to place on a best effort basis a maximum of 321,000,000 new shares of the Company ("Placing Share") of HK\$0.02 each at HK\$0.1 per Placing Share to at least six places who were professional investors according to the definition of the Securities and Futures Ordinance. The intended and actual use of proceeds from the share placement was for general working capital of the Company and potential investments to be identified. The placing transaction was completed on 23

January 2020 and a total of 321,000,000 shares were issued. The gross and net proceeds were approximately HK\$32,100,000 and HK\$31,137,000 respectively. The net price was approximately HK\$0.097 per Placing Share.

EVENTS AFTER THE REPORTING PERIOD

The realised gains and unrealised losses on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2020 to the date of approval of this results announcement were amounted to approximately HK\$89,000 and HK\$12,568,000 respectively.

Except for above mentioned, there were no material events occurred after the financial report date.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

- (a) On 9 October 2020, the Group disposed of the entire issued share capital in China Financial Leasing Investments Limited at a cash consideration of approximately HK\$569,000.
- (b) On 15 September 2020, the Company entered into a share transfer agreement with an independent third party (the “Purchaser”) to dispose of the entire issued share capital in Peaceful Gain at a cash consideration of approximately HK\$13,000,000 of which an amount of approximately HK\$9,000,000 shall be settled on or before 31 December 2020 and the remaining balance of approximately HK\$4,000,000 shall be settled on or before 30 June 2021.

On 31 December 2020, the Company entered into a supplementary agreement with the Purchaser to agree that the whole consideration of HK\$13,000,000 shall be settled on or before 30 April 2021. If the Purchaser is unable to settle the consideration on or before 30 April 2021, an independent guarantor will transfer a property located in the PRC to the Company or dispose of the property according to the Company’s instructions. The transaction was completed on 31 December 2020.

Except for above mentioned, the Group has not made any material acquisition or disposal of subsidiaries during the year under review.

EMPLOYEE BENEFITS

As at 31 December 2020, the Group had 5 employees. Total employee benefits expenses (excluding Directors’ emoluments) and Directors’ emoluments for the year ended 31 December 2020 were approximately HK\$1,621,000 (2019: HK\$5,583,000) and HK\$1,698,000 (2019: HK\$1,700,000) respectively. For the year ended 31 December 2020, COVID-19 related government grants amounted to approximately HK\$538,000 have been offset adjust employee benefits expense. The remuneration policy of the Group is reviewed

annually and employees are remunerated based on their performance, experience and the prevailing market practice. No Director or executive is involved in dealing with his own remuneration.

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

The Company maintains a share option scheme, pursuant to which share options are granted to selected directors, employees or other eligible participants of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group. During the year, there were no share options exercised, granted, lapsed or cancelled.

CHARGES ON GROUP’S ASSETS

As at 31 December 2020, listed securities of approximately HK\$74,514,000 (2019: HK\$66,322,000) were pledged to secure margin payable. Except for above mentioned, there were no charges on the Group’s assets.

FOREIGN EXCHANGE EXPOSURE

During the year, the Group’s exposures to foreign currencies mainly arises from its investments in financial assets denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

During the year, there were no contingent liabilities noted by the Directors (2019: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the significant investments of the Group are included in the Group’s investments under the section headed “Equity Investments” in this results announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

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

All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2020, the Company was in compliance with the code provisions set out in the CG Code except for the deviation from code provision A.4.1.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company.

Save as aforesaid and in the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee (the "Audit Committee") was established on 7 October 2002. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Luk Chi Shing (chairman of the Audit Committee), Mr. Wang Ruiyang and Mr. Lam Wai Tsin.

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

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

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2020.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

For and on behalf of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Liu Hailong
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the board of Directors of the Company comprises Mr. Chiu Wai Lap as executive Director, Mr. Liu Hailong (Chairman), Mr. Liu Yang (Vice Chairman) and Mr. Xiao Shen as non-executive Directors, Mr. Wang Ruiyang, Mr. Lam Wai Tsin and Mr. Luk Chi Shing as independent non-executive Directors.