

The logo for EGIC, consisting of the letters 'EGIC' in a bold, white, sans-serif font inside a blue rectangular box.

中國恒嘉融資租賃集團有限公司

CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(formerly known as PME Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

A large, stylized black silhouette of a dandelion seed head on the left, with several smaller seed heads and individual seeds floating away to the right against a light blue background.

Going
Outwards
and Onwards

INTERIM REPORT 2016

* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping (*Chairman*)
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

NON-EXECUTIVE DIRECTORS

Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

CHIEF EXECUTIVE OFFICER

Mr. Liu Bing

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping (*Chairman*)
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
(resigned on 29 August 2016)

PRINCIPAL BANKERS

The Hongkong and
Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

379

WEBSITE

<http://www.egichk.com>

The board of directors ("Board" or "Directors") of China Ever Grand Financial Leasing Group Co., Ltd. ("Company") hereby presented the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	101,856	197,834
Revenue	4	95,170	22,964
Cost of sales		(77,710)	(21,775)
Gross profit		17,460	1,189
Other income and gain		16,801	1,978
Selling and distribution expenses		(2,469)	(2,095)
Administrative expenses	5	(42,487)	(28,107)
Change in fair value of held for trading investments		452	25,786
(Loss)/gain on disposals of held for trading investments		(1,124)	11,941
(Decrease)/increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss		(4,450)	28,851
Share of results of joint ventures		21,545	26,327
Finance costs	6	(114)	(29)
Profit before taxation		5,614	65,841
Taxation	7	(2,494)	(4,105)
Profit for the period	8	3,120	61,736



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Attributable to:			
– Owners of the Company		(4,546)	61,719
– Non-controlling interests		7,666	17
		3,120	61,736
(Loss)/earnings per share	10		
– Basic		HK(0.04) cents	HK 0.52 cents
– Diluted		N/A	HK 0.52 cents
Profit for the period		3,120	61,736
Other comprehensive (expenses)/income <i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive (expense)/income of joint ventures		(51)	815
Other comprehensive (expense)/income for the period		(51)	815
Total comprehensive income for the period		3,069	62,551
Total comprehensive income attributable to:			
– Owners of the Company		(4,597)	62,534
– Non-controlling interests		7,666	17
		3,069	62,551

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-Current Assets			
Plant and equipment		27,445	1,347
Available-for-sale investments		25,800	2,000
Goodwill		39,564	–
Interests in joint ventures		784,531	763,852
Finance lease receivables	11	518,842	–
Club debentures		350	350
		1,396,532	767,549
Current Assets			
Inventories		9,804	8,746
Trade receivables, other receivables, deposits and prepayments	12	94,878	29,598
Convertible bonds designated as financial assets at fair value through profit or loss		–	36,450
Other loan receivables		30,000	–
Amount due from a joint venture		466	–
Held for trading investments		119,515	44,117
Deposits placed with financial institutions		1,830	54,720
Restricted deposits and bank deposits		131,406	–
Bank balances and cash		362,765	394,867
		750,664	568,498
Current Liabilities			
Trade and other payables and accruals	13	269,629	72,754
Taxation payable		37,308	36,982
Obligations under finance leases		401	302
Other loans		3,500	2,293
		310,838	112,331
Net Current Assets		439,826	456,167
Total Assets less Current Liabilities		1,836,358	1,223,716



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
Capital and Reserves			
Share capital	14	119,192	119,192
Reserves		1,083,754	1,088,351
<hr/>			
Equity attributable to owners of the Company		1,202,946	1,207,543
Non-controlling interests		121,030	845
<hr/>			
Total Equity		1,323,976	1,208,388
<hr/>			
Non Current Liabilities			
Obligations under finance leases		353	555
Borrowings		496,200	–
Deferred tax liabilities		15,829	14,773
<hr/>			
		512,382	15,328
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		1,836,358	1,223,716
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Total equity attributable to the owners of the Company at 1 January	1,207,543	1,253,170
Change in equity during the period:		
– Share of other comprehensive (expenses)/income of joint ventures	(51)	815
– (Loss)/profit for the period	(4,546)	61,719
Total comprehensive (loss)/income for the period	(4,597)	62,534
Total equity attributable to the owners of the Company at 30 June	1,202,946	1,315,704



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(15,613)	(185,030)
Net cash (outflow)/inflow from investing activities	(59,585)	80,723
Net cash inflow from financing activities	43,096	1,436
DECREASE IN CASH AND CASH EQUIVALENTS	(32,102)	(102,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	394,867	346,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD	362,765	243,273
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	362,765	243,273

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



1. BASIS OF PRESENTATION

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis other than certain financial instruments measured at fair value through profit or loss and investment properties measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has adopted and applied, for the first time, certain new interpretation and amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment (net of allowances and returns), finance lease interest income and service fee income, and gross proceeds from sale of held for trading investments during the period.

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sales of polishing materials and equipment	22,091	22,964
Finance lease	73,079	–
Gross proceeds from sale of held for trading investments	6,686	174,870
	101,856	197,834

4. SEGMENTAL INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and performance assessment focuses on the nature of the operations of the Group.

The Group's operating and reportable segments are as follows:

- Polishing materials and equipment – sale of polishing materials and equipment
- Finance lease – provision of finance lease services and financing services
- Terminal and logistics services – loading and discharging services, storage services, and leasing of terminal facilities and equipment
- Investment – investments in held for trading investments, convertible bonds, available-for-sale investments and derivative financial assets

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (Continued)

The analysis of the revenue and segment result of the Group by operating and reporting segments is as follows:

	Revenue		Segment results	
	Six months ended 30 June			
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segments				
Polishing materials and equipment	22,091	22,964	(7,139)	(4,739)
Finance lease	73,079	–	17,129	–
Terminal and logistics services	–	–	6,966	17,105
Investment	–	–	(10,260)	57,405
	95,170	22,964	6,696	69,771
Unallocated corporate expenses			(7,556)	(5,879)
Unallocated other income and gain			6,588	1,978
Unallocated finance costs			(114)	(29)
Profit before taxation			5,614	65,841

The analysis of the assets and liabilities of the Group by operating and reporting segments is as follows:

	Assets		Liabilities	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	Segments			
Polishing materials and equipment	43,923	51,377	13,442	13,641
Finance lease	1,030,143	–	698,378	–
Terminal and logistics services	833,576	940,905	26,128	14,606
Investment	208,736	160,009	74,732	67,286
Unallocated corporate items	30,818	183,756	10,540	32,126
	2,147,196	1,336,047	823,220	127,659



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. ADMINISTRATIVE EXPENSES

The administrative expenses increased from HK\$28,107,000 in 2015 to HK\$42,487,000 for current period as a result of acquisition of China Ever Grand Capital Group Limited completed in January 2016.

6. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on other loan wholly repayable within one year	15	–
Finance lease charges	99	29
	114	29

7. TAXATION

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
– Hong Kong profits tax	–	1,495
– PRC income tax	1,438	–
Deferred tax		
– Withholding tax on undistributed profits of joint ventures in the PRC	1,056	2,610
	2,494	4,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of plant and equipment	728	358
Cost of inventories recognised as expenses	21,059	21,775
Impairment loss on trade receivables	2,680	272
Interest income	(126)	(1,819)

9. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss)/profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(4,546)	61,719

	Number of shares	
	30 June 2016 (Unaudited) '000	30 June 2015 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic and dilutive (loss)/earnings per share	11,919,198	11,919,198

Diluted earnings per share for the six months ended 30 June 2015 is the same as the basic earnings per share as the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options is higher than the average market price of the Company's shares during that period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE LEASE RECEIVABLES

The finance lease receivables are receivable in two to five years.

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 0 to 180 days to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of the trade receivables of HK\$24,460,000 (31 December 2015: HK\$26,523,000) which are included in the Group's trade receivables, other receivables, deposits and prepayments is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 30 days	14,547	9,558
31 to 60 days	4,069	4,935
61 to 90 days	3,108	5,394
Over 90 days	2,736	6,636
	24,460	26,523
Other receivables, deposits and prepayments	70,418	3,075
	94,878	29,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the trade payables of HK\$10,301,000 (31 December 2015: HK\$5,254,000) which are included in the Group's trade payables, other payables and accruals is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 30 days	6,614	3,398
31 to 60 days	1,981	927
61 to 90 days	710	890
Over 90 days	996	39
Other payables and accruals	10,301 259,328	5,254 67,500
	269,629	72,754

14. SHARE CAPITAL

	Number of shares of HK\$0.01 each '000	Nominal value HK\$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	40,000,000	400,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 30 June 2016	11,919,198	119,192



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2016 and 31 December 2015.

16. CHARGE OF ASSETS

At 30 June 2016, the Group's obligations under finance leases were secured by the lessors' charges over the motor vehicles with carrying value of approximately HK\$1,252,000 (31 December 2015: HK\$779,000).

As at 30 June 2016, the other loan raised by the Group of approximately HK\$3,500,000 (31 December 2015: HK\$2,293,000) was secured by the life insurance policy for key management held by the Group.

17. CAPITAL COMMITMENTS

At 30 June 2016 and 31 December 2015, the Group had no material capital commitments.

18. OPERATING LEASE COMMITMENTS

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	1,982	1,686
In the second to fifth year inclusive	130	519
	2,112	2,205

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



18. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor:

At the end of the reporting period, the Group had contracted with tenant for the following future minimum lease payments:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	921	–
In the second to fifth year inclusive	384	–
	1,305	–

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2016 HK\$'000	31 December 2015 HK\$'000		
Convertible bonds designated as financial assets at fair value through profit or loss	–	36,450	Level 2	Binomial Option Pricing Model Binomial Option Pricing Model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk-free rate, credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price
Held for trading investment	119,515	44,117	Level 1	Quoted bid prices in active market

There is no transfer between the different levels of the fair value hierarchy for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with its joint ventures, partners of joint ventures and related company during the period:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Joint ventures:		
Sales of polishing materials	1,055	1,551
Purchases of polishing materials	71	74
Fellow subsidiaries of a partner of a joint venture:		
Service charges paid	24,990	61,851
Leasing income	22,194	29,068
Related company in which a director has beneficial Interest:		
Subcontracting fee paid	–	1,162

- (b) The Group's key management personnel are all directors of the Company. The remuneration to the directors of the Company during the period is as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	270	270
Salaries and other benefits	2,589	5,298
Retirement benefit scheme contributions	143	69
	3,002	5,637

- (c) During the six months ended 30 June 2016, the Group acquired the entire issued share capital in China Ever Grand Capital Group Limited and assignment of shareholder's loan at consideration of RMB170,847,000 (equivalent to approximately HK\$213,558,750) from Mr. Wong Lik Ping, the chairman of the Board and an executive director of the Company.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover for the six months ended 30 June 2016 decreased by 48.5% to approximately HK\$101.9 million as compared with the corresponding period in 2015. The decrease in turnover was mainly due to decrease in gross proceeds from sales of held for trading investments. Segmental turnover of polishing materials and equipment segment decreased by 3.8% to approximately HK\$22.1 million for the six months ended 30 June 2016, as compared with the same period last year. The decrease in the turnover of polishing materials and equipment division was mainly due to decrease in sales in the PRC. Segmental turnover of finance lease division for the period amounted to HK\$73.1 million.

The Group has completed the acquisition of the entire issued share capital in China Ever Grand Capital Group Limited ("CEGCG") and assignment of shareholder's loan and capital injection to Beijing Ever Grand International Finance Lease Co., Ltd. ("BEGIFL") in January 2016. The Group holds 51.39% of the equity of BEGIFL. BEGIFL is engaged in provision of finance lease services and financing services. Segment revenue and segment profit of the finance lease division for the period amounted to approximately HK\$73.1 million and HK\$17.1 million respectively.

Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") is engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC. Segment profit of the terminal and logistics services division for the period amounted to approximately HK\$7.0 million and segment loss of investment division and the polishing materials and equipment division for the period amounted to HK\$10.3 million and HK\$7.1 million respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the six months ended 30 June 2016 attributable to the owners of the Company was approximately HK\$4.5 million (six months ended 30 June 2015: profit of HK\$61.7 million). The profits from share of results of joint ventures were decreased from approximately HK\$26.3 million for the six months ended 30 June 2015 to approximately HK\$21.5 million for the six months ended 30 June 2016, mainly due to decrease in profit of Rizhao Lanshan. During the six months ended 30 June 2016, the Group records loss on disposals of held for trading investments of approximately HK\$1.1 million, increase in fair value of held for trading investments of approximately HK\$0.5 million and decrease in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK\$4.5 million. The administrative expenses increased from approximately HK\$28.1 million in 2015 to approximately HK\$42.5 million for current period as a result of acquisition of CEGCG completed in January 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had interest-bearing other loans and borrowings of approximately HK\$499.7 million (31 December 2015: HK\$2.3 million).

As at 30 June 2016, current assets of the Group amounted to approximately HK\$750.7 million (31 December 2015: HK\$568.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 2.41 times as at 30 June 2016 as compared with 5.06 times as at 31 December 2015. At 30 June 2016, the Group had total assets of approximately HK\$2,147.2 million (31 December 2015: HK\$1,336.0 million) and total liabilities of approximately HK\$823.2 million (31 December 2015: HK\$127.7 million), representing a gearing ratio (measured as total liabilities to total assets) of 38.3% as at 30 June 2016 as compared with 9.6% as at 31 December 2015.

Material fluctuations in the comparative figures are mainly due to completion of acquisition of the entire issued share capital in CEGCG and capital injection to BEGIFL in January 2016.

SIGNIFICANT INVESTMENTS

At 30 June 2016, the Group has available-for-sale investments and held for trading investments amounting to approximately HK\$25.8 million and HK\$119.5 million (31 December 2015: HK\$2.0 million and HK\$44.1 million) respectively.

MATERIAL ACQUISITIONS

The Group has completed the very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital in CEGCG and assignment of shareholder's loan and capital injection to BEGIFL on 7 January 2016. For details, please refer to the Company's circular dated 30 October 2015 and the announcement dated 7 January 2016.

LITIGATIONS

The Group has no material litigation as at 30 June 2016 and 31 December 2015.

FOREIGN EXCHANGE EXPOSURES

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the second half of this year, the Group will continue facing difficult operating environment, due to the global political and economic uncertainties, and the slowdown of China economy and rather weak performance of China import and export industry. However, as the various micro stimulus implemented by the Chinese government gradually appeared to be effective and the long-term reform has been impacting on the investment confidence, the economic growth will be gradually stable.

Due to the extreme unstable market conditions, the Group will continue to take a conservative approach towards its investment portfolio and strategies in order to improve the performance of the investment segment.

Meanwhile, the Group has a conservative view towards the outlook of the polishing materials and equipment business and will continue to explore effective cost-saving measures, trying to change its long loss making situation. The management also commences study on the feasibility of disposal of this business segment.

With the completion of acquiring a financial leasing subsidiary in the PRC in early January this year, the subsidiary is already in full operation and according to the performance for the first six months this year, it produced a positive contribution to the Group and the Group expect to emphasis its future development and form new business growth and profitability of the Group.

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group had 73 employees (excluding employees of the Group's joint ventures) 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2016, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies:

Long/short position in the ordinary shares/underlying shares of the Company:

Directors	Number of shares/underlying shares held			Percentage of interests
	Personal Interests	Corporate interests	Total interests	
Mr. Wong Lik Ping	466,000,000(L)	1,455,000,000(L) 1,455,000,000(S)	1,921,000,000(L) 1,455,000,000(S)	16.12% 12.21%
Ms. Yeung Sau Han Agnes	27,250,000(L)	–	27,250,000(L)	0.23%
Mr. Cheng Kwok Woo	6,500,000(L)	–	6,500,000(L)	0.05%

L/S: Long/Short positions

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested in the shares or underlying shares of the Company:

Long and short positions in the ordinary shares/underlying shares of the Company:

Name	Notes	Number of shares/underlying shares held	Percentage of interests
Worldkin Development Limited		1,455,000,000 (L)	12.21%
		1,455,000,000 (S)	12.21%
Mr. Wong Lik Ping	1	1,921,000,000 (L)	16.12%
		1,455,000,000 (S)	12.21%
Funde Sino Life Insurance Co., Ltd.		3,574,430,000 (L)	29.99%
Profit Win International Limited		600,000,000 (L)	5.03%
Mr. Chen Hui	2	600,000,000 (L)	5.03%
Mr. Xu Yufeng		800,000,000 (L)	6.71%
Mr. Li Bensheng		600,000,000 (L)	5.03%
Active Way International Limited	3&4	1,455,000,000 (L)	12.21%
CIAM Investment (BVI) Limited	4	1,455,000,000 (L)	12.21%
FDG Electric Vehicles Limited	4	1,455,000,000 (L)	12.21%
FDG Kinetic Limited	4	1,455,000,000 (L)	12.21%
Sinopoly Strategic Investment Limited	4	1,455,000,000 (L)	12.21%

L/S: Long/Short positions

Notes:

1. Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in 1,455,000,000 shares of the Company that Worldkin Development Limited has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.
2. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 600,000,000 shares of the Company that Profit Win International Limited has interest in.
3. Active Way International Limited has security interests in 1,455,000,000 shares of the Company.
4. Active Way International Limited is a wholly owned subsidiary of CIAM Investment (BVI) Limited, which in turn is wholly owned by FDG Kinetic Limited, which in turn owned as to 67.19% by Sinopoly Strategic Investment Limited, which in turn is a wholly owned subsidiary of FDG Electric Vehicles Limited. Accordingly, FDG Electric Vehicles Limited is deemed to have interests in 1,455,000,000 shares of the Company held by Active Way International Limited.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2016 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding company, or subsidiaries a party to any arrangement to enable the directors or chief executive to acquire such rights in any other corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2016, except for the following deviations:

1. Code Provision A.6.7

Two non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 15 June 2016 due to their other important commitments.

Two non-executive directors and two independent non-executive directors were unable to attend the extraordinary general meeting of the Company held on 20 January 2016 due to their other important commitments.



OTHER INFORMATION

2. Code Provision B.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.

3. Code Provision E.1.2

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 15 June 2016 due to his other important commitment.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 six months ended 30 June 2016.

AUDIT COMMITTEE REVIEW

The Company has established an Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

By order of the Board
China Ever Grand Financial Leasing Group Co., Ltd.
Lai Ka Fai
Executive director

Hong Kong, 30 August 2016