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 ANNOUNCEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	4	**758**	155
Other income	5	**22**	–
Gain on disposal of subsidiaries, net		**–**	1
Net loss on financial assets at fair value through profit or loss		**(4,951)**	(16,044)
		(4,171)	(15,888)
Administrative expenses		**(3,781)**	(4,593)
Loss from operations		**(7,952)**	(20,481)
Finance costs	6	**(15)**	(21)
Loss before tax		**(7,967)**	(20,502)
Income tax expense	7	**–**	–
Loss for the year attributable to owners of the Company	8	**(7,967)**	(20,502)

* *For identification purposes only*

	Note	**2023**	2022
		HK$'000	*HK$'000*
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year attributable to owners of the Company		**(7,967)**	(20,502)
			(Re-presented)
Loss per share	*10*		
Basic (HK cents per share)		**4.40**	11.32
Diluted (HK cents per share)		**4.40**	11.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**–**	–
Right-of-use assets		**–**	–
Refundable rental deposit		**60**	60
		60	60
Current assets			
Financial assets at fair value through profit or loss		**58,951**	45,913
Deposits and other receivable		**446**	25
Bank and cash balances		**1,179**	22,933
		60,576	68,871
Current liabilities			
Margin payable and accruals		**373**	433
Lease liabilities		**93**	268
		466	701
Net current assets		**60,110**	68,170
Total assets less current liabilities		**60,170**	68,230
Non-current liabilities			
Lease liabilities		**–**	93
NET ASSETS		**60,170**	68,137
Capital and reserves attributable to owners of the Company			
Share capital		**6,938**	6,938
Reserves		**53,232**	61,199
TOTAL EQUITY		**60,170**	68,137
			(Re-presented)
Net asset value per share (HK cents per share)	*11*	**33.23**	37.63

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 Company and its subsidiaries (collectively referred to the "Group") are 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 2023 were approved for issue by the Board on 23 February 2024.

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 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 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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Impact on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 2023, because the deferred tax assets and deferred tax liabilities recognised as a result of the adoption of Amendment of HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The change does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

Impact on application of Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The Group has adopted Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules" for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Based on management's assessment, the change has had no material impact on the Group's financial positions and performance.

(b) 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 2023. 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 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

Revenue recognised during the year is as follows:

	2023	2022
	HK$'000	*HK$'000*
Dividend income	**473**	150
Interest income on bank deposits	**239**	5
Interest income from bonds	**46**	–
	758	155

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$99,688,000 (2022: HK$57,553,000).

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 2023 and 2022, 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

	2023	2022
	HK$'000	*HK$'000*
Government grants	**14**	–
Broker Commission Rebated	**8**	–
	22	–

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expense on lease liabilities	**15**	21
	15	21

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 (2022: 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 (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Loss before tax	**(7,967)**	(20,502)
Tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	**(1,315)**	(3,382)
Tax effect of income that is not taxable	**(580)**	(29)
Tax effect of expenses that are not deductible	**50**	1,108
Tax effect of other temporary differences not recognised	**(3)**	(3)
Tax effect of tax losses not recognised	**1,848**	2,306
Income tax expense	**–**	–

At the end of the reporting period the Group has unused tax losses of approximately HK$374,787,000 (2022: HK$363,587,000) 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 the following:

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration	**381**	355
Depreciation of property, plant and equipment	**3**	9
Depreciation of right-of-use assets	**–**	261
Net foreign exchange loss	**71**	8
Impairment on arising from:		
– Property, plant and equipment	**14**	29
– Right-of-use asset	**–**	353
Gain on disposal of subsidiaries	**–**	1

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE

Basic loss per share

Subsequent to reporting date, in February 2024, the Group has substantially completed its rights issue on the basis of one rights share for every one issued share of the Company. Upon completion, the number of shares in issue of the Company stand at 346,897,482.

Therefore, 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$7,967,000 (2022: HK$20,502,000) and new number of ordinary shares of 181,050,080 (2022 (re-presented): 181,050,080) in issue upon completion of rights issue.

Diluted loss per share

As the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2023 and 2022, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2023 and 2022.

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 2023 of approximately HK$60,170,000 (2022: HK$68,137,000) and the new number of ordinary shares upon completion of rights issue of 181,050,080 (2022 (re-presented): 181,050,080) in issue.

12. EVENTS AFTER THE REPORTING PERIOD

Realised losses and unrealised losses on financial assets at FVTPL

The realised losses and unrealised losses on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2023 to the date of approval of this results announcement were amounted to approximately HK$56,000 and HK$3,835,000 respectively.

Rights Issue

On 1 December 2023, the Company entered into an underwriting agreement with Lego Securities Limited in respect of the rights issue up to 173,448,741 rights share at HK$0.12 each to certain qualifying shareholders. The intended and actual use of proceeds from the Right Issue certain was for general working capital and investments.

The transaction was completed on 20 February 2024. A total of 173,448,741 shares were issued. The gross and net proceeds were approximately HK$20,860,000 and HK$19,460,000 respectively. The net price was approximately HK$0.11 per right share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the year ended 31 December 2023, China Financial Leasing Group Limited (the "Company") with its subsidiaries (collectively 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.

2023 Hong Kong stock market turn out to be a dismal and forgettable year for most local investors and institutions, where despite incredible strength and performances in other established market such as US, Japan etc, Hang Seng Index ("HSI") experienced a complete reverse trend compared to others and drop considerably last year. Initial surge to intraday high of around 22,700 level during January 2023 due to optimism from economic rebound from the full relaxation of COVID lock down measures was very short lived and subsequently it is pretty much downhill for local stock market. Series of economic data from mainland confirm sluggish economy status, and with continuous strain Sino-US relationships, combine with weakness in Japanese Yen currency against US dollar, prompted nonstop and persistent capital outflow from Hong Kong and China region to other Asian stock markets such as Japan or India, where Nikkei 225 index skyrocket 28.2% in 2023. Meanwhile in the United States, despite some correction in second half of 2023 due to profit taking as well as the sudden event of Israel–Hamas war crisis, signs of inflation under control and prospect of possible rate cutting in 2024 sparked a huge rally in the last 2 months of 2023, and prompted S&P500 index to rise 24.2% last year. For the year, HSI dropped 13.8% to close at 17,047 while Hang Seng Tech index fell 8.8% to 3,764. The Group recorded a net fair value losses on listed investments of approximately HK$4,951,000 for the year ended 31 December 2023.

Going forward, external macro factors remain the major risks. While inflation and interest rates are expected to be alleviated and may boost global market performance, the high geopolitical risks, particularly the Israel-Hamas war and the Sino-US relations, will cause significant uncertainty to the investment market. For the Hong Kong and China market region, focus will remain on how the sluggish mainland economy can be revived to spark investors desire to return to invest into Hong Kong and China stock market, which technically speaking is rather oversold but lack of any kind of positive stimulus. Nevertheless, we believe that challenges and opportunities co-exist. As such, we will maintain appropriate investment strategies and constantly monitor the market changes. Recent completion of fund raising from rights issue have further bolstered the Group's financial position and the Group will continue to identify suitable listed and unlisted investment opportunities to optimise its investment portfolio and implement its risk management policy in order to achieve satisfactory returns to the Shareholders.

FINANCIAL REVIEW

As at 31 December 2023, the carrying value of the Group's listed equity investments was approximately HK$58,951,000 (2022: HK$45,913,000) while carrying value of the Group's unlisted equity investment was nil (2022: nil).

The Group recorded sales proceeds from disposals of trading listed equity securities of approximately HK$99,688,000 (2022: HK$57,553,000) for the year ended 31 December 2023. The realised losses and unrealised gains (2022: the realised losses and unrealised losses) on financial assets at FVTPL for the year ended 31 December 2023 were approximately HK$7,165,000 (2022: HK$10,396,000) and HK$2,214,000 (2022: HK$5,648,000) respectively. Loss for the year was approximately HK$7,967,000 (2022: HK$20,502,000) which was mainly attributable to the operating expenses and equity investments losses.

EQUITY INVESTMENTS

As at 31 December 2023, the Group held financial assets at FVTPL of approximately HK$58,951,000 Listed below are the particulars of the Group's major listed equity securities:

							As at 31 December 2023				For the year ended 31 December 2023			
	Stock Code	Name of investees	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$'000)	Realised gain/(loss) (HK$'000)	Unrealised gain/(loss) (HK$'000)	Fair value gain/(loss) (HK$'000)
a)	1143	CHINA ENERGY STORAGE TECHNOLOGY DEVELOPMENT LIMITED ("China Energy Storage")	4,500	2.3%	6,181	2.05	9,225	15.33%	–	N/A	8,789	3,224	5,584	8,808
b)	2130	CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED ("CN Logistics")	1,269	less than 1%	9,667	6.08	7,716	12.82%	131	2.48	–	–	(1,951)	(1,951)
c)	1520	VIRTUAL MIND HOLDING COMPANY LIMITED ("Virtual Mind")	31,296	1.46%	5,015	0.157	4,913	8.17%	–	N/A	–	–	(102)	(102)
d)	264	CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED ("China International Development")	3,564	less than 1%	2,679	1.32	4,704	7.82%	–	N/A	–	–	2,025	2,025
e)	8268	SMART CITY DEVELOPMENT HOLDINGS LIMITED ("Smart City")	9,952	4.15%	8,001	0.435	4,329	7.19%	–	N/A	–	–	(3,334)	(3,334)
f)	1082	BRADAVERSE EDUCATION (INT'L) INVESTMENTS GROUP LIMITED ("Bradaverse Education")	2,400	less than 1%	3,991	1.54	3,696	6.14%	–	N/A	–	–	(576)	(576)
g)	4246	HKGB IBOND 2406 ("HK iBond 2406")	34	less than 1%	3,363	98.9	3,363	5.59%	–	N/A	11,383	(9)	–	(9)
h)	3788	CHINA HANKING HOLDINGS LIMITED ("China Hanking")	3,800	less than 1%	2,753	0.8	3,040	5.05%	–	N/A	–	–	287	287
i)	8425	HING MING HOLDINGS LIMITED ("Hing Ming")	16,328	4.34%	18,099	0.174	2,841	4.72%	–	N/A	–	–	(1,159)	(1,159)
j)	386	CHINA PETROLEUM & CHEMICAL CORPORATION ("China Petroleum")	500	less than 1%	2,150	4.09	2,045	3.40%	–	N/A	3,181	86	(105)	(19)
k)		Other listed investments	N/A	N/A	18,520	N/A	13,079	21.74%	342	N/A	76,335	(10,466)	1,545	(8,921)
		Total	N/A	N/A	80,419	N/A	58,951	97.97%	473	N/A	99,688	(7,165)	2,214	(4,951)

The realized and unrealised losses on listed investments amounted to approximately HK$4,951,000 for the year ended 31 December 2023.

For the listed investments held as at 31 December 2023, the realised gains and unrealised losses were approximately HK$3,286,000 and HK$1,989,000 respectively. For those listed investments held but were sold during the year ended 31 December 2023, the realised losses and unrealised gains were approximately HK$10,451,000 and HK$4,203,000 respectively.

(a) China Energy Storage

China Energy Storage is a value-added service provider and electronics manufacturer focused on the "Belt and Road" cross-border supply chain, particularly integrates upstream and downstream resources around the value-added services of the targeted industry supply chain, and selects key countries and cities along the Belt and Road route with high economic growth and high market development for strategic planning. The audited consolidated loss attributable to owners of China Energy Storage for the year ended 31 December 2022 was approximately HK$54,042,000. As at 31 December 2022, the audited consolidated net asset value attributable to owners of China Energy Storage was approximately HK$359,862,000.

The Investment Committee noted that China Energy Storage continued to operate at a loss in 2022 due to the continued adverse effects of COVID-19 that hampered supply chain of raw materials and in turn raised their logistic cost and cost of operating material. Market also weakened demand from selective western countries.

The Investment Committee concurred with China Energy Storage view that with the rapid growth of the market shares of new energy vehicles, energy storage has become the focus of the electronic and electrical equipment market. Therefore, their intention to vigorously expand the production and sales of new energy storage equipment and supply chain services, energy storage system integration, technology and supporting services businesses, can seek to improve the profitability of the Company's energy storage business.

(b) CN Logistics

CN Logistics is principally engaged in the provision of comprehensive logistics services, comprising air freight forwarding services, distribution and logistics services as well as ocean freight forwarding services, with a primary focus on high end fashion (including luxury and affordable luxury) and fine wine products. The audited consolidated profit attributable to owners of CN Logistics for the year ended 31 December 2022 was approximately HK$86,632,000. As at 31 December 2022, the audited consolidated net asset value attributable to owners of CN Logistics was approximately HK$352,271,000.

The Investment Committee noted that CN Logistics, despite the difficult operating environment, continued to deliver satisfactory results by achieving growth in their revenue while their gross profit only dropped modestly, which demonstrated their management skills during difficult business operating environment.

The Investment Committee considered that CN Logistics leading status as a logistics solution provider in the industry will allow the company to expand with the complete relaxation of on travel restriction and the reopening of border. In addition, their self-developed eCommerce platform could provide exponential return to the company in a few year's time.

(c) Virtual Mind

Virtual Mind is principally engaged in the activities of design, manufacture and trading of apparel, namely apparel operation; provision of money lending business, namely money lending operation; and selling of gaming and animated characters related products, namely intellectual property application and products operation. The audited consolidated loss attributable to owners of Virtual Mind for the year ended 31 December 2022 was approximately HK$65,895,000. As at 31 December 2022, the audited consolidated net asset value attributable to owners of Virtual Mind was approximately HK$208,432,000.

The Investment Committee noted that the revenue and operating results worsened in 2022 because of lingering effect from COVID-19 pandemic, that led to deteriorated global economic environment and tightened financial conditions, which in turn significantly affected its core business of apparel operation.

The Investment Committee believed Virtual Mind increased focus to expand its intellectual property application and product business, such as by entering into production and sales licensing contract with a subsidiary of Tencent in relation to water cup peripheral merchandise of the online game Honor of Kings, could be beneficial to their business in the long run.

(d) China International Development

China International Development is principally engaged in (i) manufacturing and distribution of leather products; (ii) retail of fashion apparel, footwear and leather accessories; and (iii) industrial hemp planting and production of hemp fabric products. The audited consolidated loss attributable to owners of China International Development for the year ended 31 December 2022 was approximately HK$18,936,000. As at 31 December 2022, the audited consolidated net liabilities value attributable to owners of China International Development was approximately HK$46,016,000.

The Investment Committee noticed that China International Development continued to operate at extra production costs incurred for catching up the delay in production schedule of the Group's Leather Manufacturing Business as a result of the continuous spread of the pandemic as well as the pandemic control and quarantine measures and travelling and logistics restriction implemented in Mainland China and Hong Kong in 2022.

The Investment Committee concurred with their management about look for areas where they can further improve operational efficiency and reduce costs, and create and promote products to provide long-term value to customers and the industry. Their plans to diversify into the businesses of industrial hemp planting and hemp fabric product production, if materialised, could diversify their product portfolio and income streams, thereby improving its profitability in the long term.

(e) Smart City

Smart City is principally engaged in the activities of construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses. Their other business include investment in securities, property investment as well as money lending. The audited consolidated loss attributable to owners of Smart City for the year ended 31 March 2023 was approximately HK$10,975,000. As at 31 March 2023, the audited consolidated net asset value attributable to owners of Smart City was approximately HK$150,941,000.

The Investment Committee noted that while the revenue of Smart City for stayed flat for the financial year, gross profit decreased due to the low profit margin derived from the construction segment and realised loss on the marketable securities investments recorded.

The Investment Committee believed that despite the remaining uncertain economic environment of greater China region in the year, Smart City proven track record and their numerous licenses, permits and qualifications enable them to continue to secure government contracts in the considerable future.

(f) Bradaverse Education

Bradaverse Education is principally engaged in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses. The audited consolidated loss attributable to owners of Bradaverse Education for the year ended 30 June 2023 was approximately HK$28,541,000. As at 30 June 2023, the audited consolidated net asset value attributable to owners of Bradaverse Education was approximately HK$111,608,000.

The Investment Committee noticed that revenue from trading and services income from virtual reality and digital entertainment division enjoyed strong growth in the past financial year due to exponential growth in sales of gaming product while its traditional tutoring service were not significantly affected by linger impact from COVID-19 pandemic.

The Investment Committee concurred with Bradaverse Education view that with the application of VR, augmented reality and artificial intelligence to their distinct businesses, students can allocate their study schedules flexibly without geographical and time boundaries, and at the same time, allow them to expand its business to bigger markets and new segments. The mixture of traditional learning and technology-based learning will help to improve their efficiencies. The new approach of learning and a more diversified business of the Group could also allow them to explore more business sectors and provide more professional education supports also to corporations.

(g) HK iBond 2406

HK iBond 2406 is a retail bond issued by The Government of the Hong Kong Special Administrative Region of the People's Republic of China, with the maturity date of 23 June 2024. It pay interest every 6 months and the coupon rate is based on the higher of (a) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2014/15-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and (b) the fixed rate of 2.00%.

The Investment Committee believed the investment in iBond is a very effective way of diversifying our portfolio and effective interest rate return is comparable to fixed deposit rates in Hong Kong. Moreover, the instrument is listed and tradable with good liquidity, giving us the option to adjust our holding depending on current equity and bond market situation.

(h) China Hanking

China Hanking is principally engaged in the exploration, mining, processing and sale of mineral resources. The Company operates its business through three segments, namely, iron core, high-purity iron and gold. The audited consolidated loss attributable to owners of China Hanking for the year ended 31 December 2022 was approximately RMB51,297,000. As at 31 December 2022, the audited consolidated net asset value attributable to owners of China Hanking was RMB1,274,360,000.

The Investment Committee noticed that China Hanking operation suffered significantly in the past financial year because of COVID-19 pandemic that led to escalating preventive and control measures and in turn trigger much fewer demand for company products. Nevertheless management have already made effort to ensure the normal running of their operations and continuously pushing forward the major tasks related to the sustainable development of the Company.

The Investment Committee believed that the company announcement back in November 2023 about confirming high margin project in their definitive feasibility study in one of the Australia project is an encourage development for China Hanking in long run. Their management should be well kept abreast of the changing market conditions and proactively identify investment opportunities in order to broaden the revenue base of the Group and enhance its future financial performance and profitability.

(i) Hing Ming

Hing Ming is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts. The audited consolidated profit attributable to owners of Hing Ming for the year ended 31 March 2023 was approximately HK$2,369,000. As at 31 March 2023, the audited consolidated net asset value attributable to owners of Hing Ming was approximately HK$117,460,000.

The Investment Committee noticed that Hing Ming enjoyed a turnaround year as revenue increased while it also returned to profitability after losses in previous year, mainly attributable to increased business from the additional tower cranes to satisfy the need of customers, as well as increased occupancy rates on existing tower cranes.

The Investment Committee believed that Hing Ming management have been adopting a positive but yet prudent approach in their business strategies to enhance their profitability and with demand for housing will continue for quite some time, their business could enjoy further growth in the future.

(j) China Petroleum

China Petroleum is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information. The audited consolidated profit attributable to owners of China Petroleum for the year ended 31 December 2022 was approximately RMB66,153 million. As at 31 December 2022, the audited consolidated net asset value attributable to owners of China Petroleum was approximately RMB784,706 million.

The Investment Committee noted that despite the complicated and difficult operating environment and weak domestic market demand, they were able to achieve remarkable results in most business operating lines, and together with the share repurchase, resulted in a dividend payout ratio of 71% in 2022.

The Investment Committee believed with current oil prices stabilized in a relatively smaller range compared to the past, China Petroleum will be able to lift their upstream earnings but also enable their downstream operation to enjoy steady growth and recovery. They also consistently pay out generous dividend and therefore it is one the best recovery and dividend pick in the market.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2023, the Group maintained cash and cash equivalents of approximately HK$1,179,000 (2022: HK$22,933,000) which were mainly denominated in Hong Kong dollars ("HK$"). The Group will monitor the exposure and take prudent measures when necessary.

As at 31 December 2023 and 31 December 2022, the Group had no interest-bearing liabilities, and therefore the Group did not present the gearing ratio which represents the ratio of the Group's total interest-bearing liabilities to the total equity of the Group.

As at 31 December 2023, the Group had net assets of approximately HK$60,170,000 (2022: HK$68,137,000), the Group had no borrowings or long-term liabilities except for the lease liabilities.

CAPITAL STRUCTURE

As at 31 December 2023, the Company's total issued shares was 173,448,741 of HK$0.04 each (2022: 173,448,741 of HK$0.04 each). The Group had no debt securities or other capital instruments as at 31 December 2023.

(a) Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 15 March 2022, the issued share capital of the Company was proposed to be reduced by reducing the par value of each of the issued shares of the Company from HK$0.20 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.19 per issued share (the "Capital Reduction"). Part of the credit arising from such reduction would be applied towards cancelling the accumulated loss of the Company, while the balance (if any) would be transferred to the share premium account of the Company which may be utilized by the directors as a distributable reserve in accordance with the articles of association of the Company (the "Articles") and all applicable laws. Immediately following the Capital Reduction becomes effective, each authorized but unissued share will also be sub-divided into 20 new shares with a par value of HK$0.01 each. On 20 July 2022, the Grand Court of the Cayman Islands granted an order to confirm the capital reduction of the Company and the Capital Reduction became effective on 25 July 2022. Details of which were disclosed in the circular of the Company dated 21 February 2022.

(b) On 21 September 2022, the Company consolidated every four issued and unissued shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK$0.04 each.

(c) On 28 July 2022, the Company entered into an underwriting agreement with Lego Securities Limited in respect of the Right Issue up to 115,632,494 Rights Shares at HK$0.38 each to certain qualifying shareholders. The intended and actual use of proceeds from the Rights Issue certain was for general working capital and investments.

The transaction was completed on 27 October 2022. The Rights Shares are fully subscribed by the shareholders and the obligations under the Underwriting Agreement has been fully discharged. A total of 115,632,494 shares were issued. The gross and net proceeds were approximately HK$43,940,000 and HK$42,118,000 respectively. The net price was approximately HK$0.364 per Rights Share.

EVENTS AFTER THE REPORTING PERIOD

Realised losses and unrealised losses on financial assets at FVTPL

The realised losses and unrealised losses on financial assets at FVTPL from changes in fair value on financial assets at FVTPL held as at 31 December 2023 to the date of approval of this results announcement were amounted to approximately HK$56,000 and HK$3,835,000 respectively.

Rights Issue

On 1 December 2023, the Company entered into an underwriting agreement with Lego Securities Limited in respect of the rights issue up to 173,448,741 rights share at HK$0.12 each to certain qualifying shareholders. The intended and actual use of proceeds from the Right Issue certain was for general working capital and investments.

The transaction was completed on 20 February 2024. A total of 173,448,741 shares were issued. The gross and net proceeds were approximately HK$20,860,000 and HK$19,460,000 respectively. The net price was approximately HK$0.11 per right share.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any significant merger, acquisition or disposal during the year ended 31 December 2023.

EMPLOYEE BENEFITS

As at 31 December 2023, the Group had 2 employees. Total employee benefits expenses (excluding Directors' emoluments) and Directors' emoluments for the year ended 31 December 2023 were approximately HK$722,000 (2022: HK$838,000) and HK$1,107,000 (2022: HK$963,000) respectively. For the year ended 31 December 2022, COVID-19 related government grants amounted to approximately HK$48,000 have been offset to the 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.

CHARGES ON GROUP'S ASSETS

As at 31 December 2023 and 31 December 2022, there were no charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

During the year, the investments of the Group were mainly denominated in HK$. Therefore, there was no material foreign exchange exposure to the Group.

CONTINGENT LIABILITIES

During the year, there were no contingent liabilities noted by the Directors (2022: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2023, 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 2023 (2022: 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 2023.

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 2023.

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 2023, the Company was in compliance with the code provisions set out in the CG Code except for the deviation from code provision C.2.1. Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The office of the chairman of the Board is currently vacant that the roles and duties of which are assumed by the Board. The executive Director is responsible for day-to-day management of business. Therefore, a clear division of responsibilities is in place and a balance of power and authority is ensured.

Save as aforesaid and in the opinion of the directors (the "Directors") of the Company, the Company was in compliance with the code provisions set out in the CG Code.

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. Hui Yat On (chairman of the Audit Committee), Mr. Chan Pak Lam, Tom and Dr. Lau Kin Shing, Charles.

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 2023.

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 2023 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
Lui Cheuk Hang Henri
Executive Director

Hong Kong, 23 February 2024

As at the date of this announcement, the board of Directors of the Company comprises Mr. Lui Cheuk Hang Henri and Mr. Chiu Tak Wai as executive Directors, Mr. Hui Yat On, Mr. Chan Pak Lam, Tom and Dr. Lau Kin Shing, Charles as independent non-executive Directors.