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PROFIT WARNING

This announcement is made by China Ever Grand Financial Leasing Group Co., Ltd. (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong). Unless otherwise defined, terms capitalised in this Announcement have the same meanings as those defined in the announcement of the Company dated 11 February 2021 (the “**Announcement**”).

The Board wishes to inform the shareholders of the Company and potential investors that, based on the preliminary unaudited consolidated management accounts of the Group for the year ended 31 December 2020 (the “**Current Year**”), the Group is expected to record a substantial net loss of approximately HK\$300 million to HK\$400 million for the Current Year as compared with the net loss of approximately HK\$51.0 million for the year ended 31 December 2019 (the “**Corresponding Year**”).

The Board considers that the expected increase in net loss is mainly attributable to the following reasons:

- (i) the recognition of impairment losses of not less than approximately HK\$160 million on finance lease and loan receivables in default primarily from two of the financial leasing customers of the Group's financial leasing segment, which is an increase in loss of at least approximately HK\$120.5 million as compared with approximately HK\$39.5 million in the Corresponding Year. Those receivables were fully financed by the respective back-to-back borrowings on recourse basis, as an ordinary and usual course of business of the said segment (the "**Recourse Business**"). The impairment loss of approximately HK\$70 million to HK\$100 million in the Current Year is attributable to the Transaction as disclosed in the Announcement. The reason being that there was a significant increase in recognition of impairment loss on the loan receivable from the Customer as compared with that of HK\$5.6 million in the Corresponding Year, because of the worsening credibility of the Customer who defaulted in January 2020 and the recent Reorganisation Petitions both served against the Customer and the Guarantor. Additionally, approximately HK\$80 million to HK\$100 million was related to the recognition of impairment loss on the finance lease receivable from the other customer which is a state-owned enterprise in the PRC. It still owes the Group a net principal amount of RMB200.0 million, which is secured by machineries and equipment and guaranteed by its ultimate holding company. Given the deteriorating creditability of the said customer, who has defaulted since 2019, and the guarantor as a result of the application of reorganisation petitions being granted against it and the said customer by a provincial court in June 2020, the provision for impairment loss increased remarkably as compared with that of HK\$32.6 million in the Corresponding Year. For the particulars of the finance lease receivable and the calculations of its provision for impairment for the six months ended 30 June 2020 and the Corresponding Year, please refer to page 37 of the 2020 interim report and page 13 of the 2019 annual report respectively. As of the date of this announcement, the reorganisation process of the two customers were still underway and there has been no settlement arrangement reached in relation to the receivables; and
- (ii) the recognition of an impairment loss of approximately HK\$31 million (including direct transaction cost of HK\$5 million) from the remaining 25% equity interest ("**Interest in Rizhao Lanshan**") in Rizhao Lanshan Wansheng Harbour Company Limited ("**Rizhao Lanshan**") upon the reclassification of interest in an associate (i.e. Rizhao Lanshan) as assets classified as held for sales. Together with the relevant income tax expense of approximately HK\$14 million upon the disposal thereafter, the Group recorded an one-off loss of HK\$45 million upon the reclassification and the disposal of Interest in Rizhao Lanshan in the Current Year; and

- (iii) the decrease in the gross profit amount of approximately at least HK\$30 million from a gross profit of HK\$21.8 million for the Corresponding Year, resulting in a gross loss for the Current Year. Such adverse change was mainly attributable to the gross loss of the Group's financial leasing segment where there were two Recourse Businesses that recorded significant negative net interest spread when the interest cost accrued from the borrowings was greater than the income from the respective receivables. The magnitude of such gross loss was greater than the gross profits from other segments and ultimately turned the Group into the gross loss position; and
- (iv) decrease in share of total net profits of associates of more than HK\$30 million from that of HK\$29.4 million in the Corresponding Year, resulting in an overall net loss in the Current Year. The reason for such adverse change is twofold. One is the shorter profit sharing period of a profitable associate (i.e. Rizhao Lanshan) from a full year in the Corresponding Year to only a half year in the Current Year upon the above-mentioned reclassification. The other reason is share of a significant operating loss due to recognition of impairment losses of loan receivables from a new associate which is engaged in money lending business in Hong Kong; and
- (v) increase in staff cost especially the management incentive expense in the Current Year.

As the Company is still in the process of finalising the Group's annual results for the Current Year, the information contained in this announcement is only based on the Board's preliminary assessment of the unaudited consolidated management accounts of the Group with reference to the information currently available to the Board which may be subject to the further finalization and other potential adjustments, if any, and have not been reviewed or confirmed by the Company's auditors or the audit committee of the Board. The actual financial results of the Group for the Current Year may be different from the disclosure herein. Shareholders and potential investors of the Company are advised to read carefully the annual results announcement of the Company for the Current Year which is scheduled to be released on 24 March 2021.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 March 2021

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