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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

DISCLOSEABLE TRANSACTION ANNOUNCEMENT IN RELATION TO FINANCE LEASE ARRANGEMENT

THE FINANCE LEASE AGREEMENT

On 16 September 2021, the Lessee entered into the Finance Lease Agreement with the Lessor pursuant to which and subject to the terms and conditions therein, (i) the Lessor will purchase the Leased Assets from the Lessee at a consideration of RMB40,000,000 (equivalent to approximately HK\$48,220,000); and (ii) the Lessor will lease the Leased Assets back to the Lessee for a period of not more than 3 years.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement and the transactions contemplated therein is more than 5% and all of the applicable percentage ratios are below 25%, the entering into of the Finance Lease Agreement and the transactions contemplated therein constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

However, due to the Inadvertent Oversight, the Finance Lease Agreement has not been notified and announced by the Company in a timely manner in accordance with Rules 14.34 of the Listing Rules.

The board of directors (the “**Directors**”) (the “**Board**”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that Ever Grand (Tianjin) Finance Lease Co., Ltd.* (恒嘉(天津)融資租賃有限公司)(the “**Lessor**”), a subsidiary of the Company, and Beijing Huafutiandi Shopping Center Co., Ltd.* (北京華富天地購物中心有限公司)(the “**Lessee**”) entered into a finance lease agreement (the “**Finance Lease Agreement**”) on 16 September 2021, pursuant to which and subject to the terms and conditions therein, (i) the Lessor will purchase certain equipment and assets located in Beijing, the PRC owned by the Lessee with an aggregate net carrying value of not less than the consideration (the “**Leased Assets**”); and (ii) the Lessor will lease the Leased Assets back to the Lessee for a period of not more than 3 years (the “**Finance Lease Arrangement**”). The details of the Finance Lease Agreement are set out below.

FINANCE LEASE AGREEMENT

Date: 16 September 2021

Parties:

1. the Lessor: Ever Grand (Tianjin) Finance Lease Co., Ltd.* (恒嘉(天津)融資租賃有限公司); and
2. the Lessee: Beijing Huafutiandi Shopping Center Co., Ltd.* (北京華富天地購物中心有限公司).

As of the date of entering into the Finance Lease Agreement and the date of this announcement, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Lessee and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)).

Finance Lease Arrangement

Leased Assets

Pursuant to the Finance Lease Agreement, the Lessor will purchase the Leased Assets owned by the Lessee free from any title defects and encumbrances for an aggregate consideration of RMB40,000,000 (equivalent to approximately HK\$48,220,000) (the “**Purchase Price**”).

Lease Period

The Lessor will lease the Leased Assets to the Lessee for a period of not more than 3 years, which is expected to commence from the respective purchase price payment date.

Rent and Method of Payment

On 29 September 2021, the first payment of RMB15,000,000 has been paid by the Lessor to the Lessee for an aggregate lease consideration of approximately RMB18,090,622.76. The rent, including value-added taxes, is comprised of lease principal and lease interest. The lease principal is of the same amount as the transfer consideration, totaling RMB15,000,000. The total amount of lease interest for the lease period is approximately RMB3,090,622.76. The rent is calculated and paid in RMB, and the Lessee shall pay the rent to the Lessor in 12 quarterly installments for a period of 2 years 11 months.

On 30 November 2021, the second payment of RMB15,000,000 before deducting and withholding a security deposit of RMB500,000 has been paid by the Lessor to the Lessee for an aggregate lease consideration of approximately RMB17,502,500. The rent, including value-added taxes, is comprised of lease principal and lease interest. The lease principal is of the same amount as the transfer consideration, totaling RMB15,000,000. The total amount of lease interest for the lease period is approximately RMB2,502,500. The rent is calculated and paid in RMB, and the Lessee shall pay the rent to the Lessor on a semi-annual basis in instalments for a period of 2 years.

As of the date of this announcement, the remaining unutilized portion of RMB10,000,000 has not been disbursed.

Interest

The interest rate under the Finance Lease Agreement is calculated on the basis of 11% per annum. The terms of the Finance Lease Agreement, including the considerations and interest rate, were determined after arm's length negotiation between the parties with reference to, among other things, the value of the Leased Assets, Lessor's purchase cost of the Leased Asset, the interest rate and the prevailing market practice.

Guarantee

The Lessor and Beijing Hualian Group Investment Holding Co., Ltd * (北京華聯集團投資控股有限公司), the then intermediate holding company of the Lessee (the "**Guarantor**"), had also entered into the Guarantee Agreement, pursuant to which the Guarantor agreed to provide an irrevocable joint liability guarantee for all the debts borne by the Lessee under the Finance Lease Agreement, in order to ensure the obligations of the Lessee under the Finance Lease Agreement are fulfilled.

Leased Assets and Their Ownership

Upon the payment of the Purchase Price by the Lessor to the Lessee, the legal ownership of the Leased Assets will be transferred to the Lessor despite the Lessee remains the possession of such assets during the respective lease period. Upon expiration of the relevant lease period, the Lessee may purchase back the Lease Assets from the Lessor at a consideration of RMB1 in nominal value.

REASONS FOR THE FINANCE LEASE ARRANGEMENT

The Company is incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The principal business of the Group comprises the (i) the provision of finance lease consulting services and financing services in the PRC; (ii) investment properties in the PRC and Hong Kong, investment in securities and money lending business in Hong Kong, (iii) sale of medical, healthcare and hygiene products, and (iv) research and development, manufacturing and sale of food additives, new food ingredients and nutritional enhancers in the PRC.

The Finance Lease Arrangement is a transaction carried out as part of the ordinary and usual course of business of the Group. The Finance Lease Arrangement was funded by internal resources of the Group. The terms of the Finance Lease Agreement (including the interest rate) were arrived at by Lessor and the Lessee after arm's length negotiations, with reference to prevailing commercial practice and the amount of the Finance Lease Arrangement. Having considered (i) the financial background of the Lessee, and (ii) the interest income to be received by the Group, the Directors consider that the terms and condition of the Finance Lease Agreement are fair and reasonable and is in the interest of the Company and its shareholders as a whole, and as of the date of this announcement, resolved to ratify and approve it.

INFORMATION ON THE LESSEE

The Lessee is a company established in the PRC. It is principally engaged in property management; sales of daily necessities, knitted textiles, arts and crafts, etc. in the PRC. It is owned as to 46.35%, 44.55% and 9.10% by Beijing Jiangnan Yuefu Consulting Management Co., Ltd.* 北京江南樂府諮詢管理有限公司 (“**Jiangnan Yuefu**”) which is in turn wholly owned by Mr. Yang Guangquan (the former controlling shareholder of the Lessee was Beijing Hualian Shangsha Co.,Ltd.* 北京華聯商廈股份有限公司 (“**Hualian Shangsha**”) at the time of entering into Finance Lease Agreement), Beijing Xinfukai Business Management Co., Ltd.* 北京鑫富凱商業管理有限公司 and Beijing Hualianshi Agricultural Products Technology Co., Ltd.* 北京華聯事農農產品技術有限公司 (“**Hualianshi Agricultural**”) respectively.

INFORMATION ON THE LESSOR

The Lessor is a company established in the PRC and a subsidiary of the Company. It is principally engaged in provision of finance lease and related consulting services in the PRC.

INFORMATION ON THE GUARANTOR

The Guarantor is a company established in the PRC. It is principally engaged in the operation of supermarkets and department stores, as well as the sale of general merchandise, textiles, daily-use products and fresh fruits and vegetables in the PRC. Its shareholders are Hainan Hongju Industrial Co., Ltd.* 海南鴻炬實業有限公司, Hainan Anshenghua Industrial Investment Co., Ltd.* 海南安盛華實業投資有限公司, Yangpu Nandao Real Estate Co., Ltd* 洋浦南島置業有限公司, Yangpu Sijiabao Industrial Investment Co., Ltd.* 洋浦思佳實業投資有限公司 and Hainan Guoshengtong Technology Investment Co., Ltd* 海南國生通克科技投資有限公司 holding 30%, 19%, 18%, 18% and 15% respectively.

When the Finance Lease Agreement was entered into, the Guarantor indirectly owned the Lessee by (i) being the single largest shareholder of Hualian Shangsha which in turn owned 46.35% of the Lessee and (ii) its non-wholly owned subsidiary of Hualianshi Agricultural which owns 9.10% of the Lessee. As of the date of this announcement, the entire Hualian Shangsha's interest in the Lessee has been transferred to Jiangnan Yuefu, while the Guarantor through Hualianshi Agricultural still owns 9.10% of the Lessee.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Finance Lease Agreement is more than 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Internal investigation of the Company reveals that the failure to announce the discloseable transaction in compliance of the reporting and announcement requirements under the Listing Rules was due to unintentional oversight by the management of Lessor. Their failure to strictly adhere with the internal control policies of the Group applicable to transactions of this nature and their lack of awareness and sensitivity to relevant regulations has led to the delay in reporting the discloseable transaction (“**the Inadvertent Oversight**”).

REMEDIAL ACTIONS

In order to ensure that the Company will fully comply with the requirements under Chapter 14 of the Listing Rules and prevent the occurrence of similar incidents, the Company will take the following remedial measures:

- a. The Company will review, enhance and continue to monitor the relevant internal control measures of the Lessor including but not limited to contract signing procedures to ensure any potential notifiable transactions would be promptly reported to the finance department of the Company which shall further assess and make sure the proposed transactions will be conducted in a manner that aligns with the necessary requirements under the Listing Rules;
- b. An internal memorandum with updated indicative denominators of the five ratio test for certain potential notifiable transactions under Chapter 14 and the indicative total assets ratio test for Advance to an entity under Chapter 13 will be regularly circulated to all PRC subsidiary-level directors, senior management members and accounting and financial personnel of the Group to remind them of the compliance obligations under the Listing Rules before execution;
- c. Trainings (online, if necessary) will be arranged to be provided to the PRC subsidiary-level directors, senior management members and accounting and financial personnel of the Group in relation to the regulatory and compliance matters under the Listing Rules, particularly those concerning continuing obligations, notifiable and connected transactions, to increase their awareness and knowledge of the Listing Rules; and
- d. the Company will work closely with all PRC subsidiary-level directors, senior management members and the Group will seek advice from its legal adviser from time to time and as and when necessary.

* *For identification purposes only, the English translation of the Chinese names are for identification purpose and should not be regarded as the official English translation of such Chinese names.*

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 to HK\$1.2055. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 31 January 2022

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