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## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2023 INTERIM RESULTS ANNOUNCEMENT AND 2023 INTERIM REPORT AND BUSINESS UPDATE**

Reference is made to the Company's interim results announcement for the six months ended 30 June 2023 dated 30 August 2023 (the “**2023 Interim Results Announcement**”) and the interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”). Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the 2023 Interim Results Announcement and the 2023 Interim Report.

This announcement is made to provide supplemental information to the 2023 Interim Results Announcement and the 2023 Interim Report regarding the business review of Trading Segment.

### **BUSINESS REVIEW OF TRADING SEGMENT**

The decrease in revenue and segment loss for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022 was mainly attributable to (i) the fact that COVID-19 epidemic was gradually subsiding, which led to the relaxation of mandatory masking policies and decreased overall personal hygiene awareness regarding COVID-19 related measures, and in turn decreased the demand for COVID-19 related products, such as masks, hand sanitizers, disinfectants as well as COVID-19 testing kits, which were unpredictable and beyond the Company's control; and (ii) the highly competitive market for traditional Chinese medical products as well as reduced supply of a traditional Chinese medical product by the manufacturer, further contributing to the slump in sales volume for these products.

With management team's ability to identify and act effectively on market threats and opportunities with a pioneering vision, the Group commenced the research on more health and wellness products since the third quarter of 2022 in case the epidemic situation improved as it is expected that members of the public could appear decline vigilance in maintaining personal hygiene, which may make people more prone to falling ill compared to previous times, as well as in accordance with the latest market trends and customer preferences. Following the easing epidemic situation in around early 2023 the Group has introduced more health and wellness products under its own brand, such as gastrointestinal medical products, probiotics products and NMN products.

#### *Medical and health product and daily necessities and hygiene products*

For sale of medical and health products, the decrease in revenue from approximately HK\$12.2 million for the six months ended 30 June 2022 to approximately HK\$7.0 million for the six months ended 30 June 2023 was mainly attributable to (a) the decrease in sales of non-own brand healthcare products, due to the decrease in supply of a traditional Chinese medical product by the manufacturer, and (b) partially offset by the introducing of the Group's own brand healthcare products. Gross profit (*gross profit margin*) was approximately HK\$0.5 million (4.1%) and HK\$1.5 million (21.3%) for the six months ended 30 June 2022 and 2023, respectively. The increase in gross profit was mainly attributable to launch of own brand healthcare products with greater gross profit margin of approximately 43.4%.

For sale of daily necessities and hygiene products, the decrease in revenue from approximately HK\$28.2 million for the six months ended 30 June 2022 to approximately HK\$9.2 million for the six months ended 30 June 2023 was mainly attributable to decrease in sales of disinfection supplies and alcohol, antigen tests, plastic gloves and face mask as a result of the relaxation of mandatory masking policies and decreased personal hygiene awareness regarding COVID-19 related measures during the period. Gross profit (*gross profit margin*) was approximately HK\$11.2 million (39.6%) and HK\$3.7 million (40.5%) for the six months ended 30 June 2022 and 2023, respectively.

#### *Own brand and non-own brand products*

For the sale of own brand products, the gross profit (*gross profit margin*) was approximately HK\$9.8 million (45.3%) and HK\$5.2 million (41.6%) for the six months ended 30 June 2022 and 2023, respectively; and

For the sale of non-own brand products (primarily including the traditional Chinese medical products), the gross profit (*gross profit/(loss) margin*) was approximately HK\$1.8 million (9.9%) for the six months ended 30 June 2022 and gross loss was approximately HK\$27,000 (0.7%) for the six months ended 30 June 2023, mainly attributable to (i) a significant decrease in revenue contribution from positive gross profit margin product of one of the products, due to the reduced supply by the manufacturer as mentioned above; and (ii) due to a loss making of another products, which the Group was obliged to trade at a loss according to the distributorship agreement entered in May 2022.

## PROSPECT

The Company is exploring additional business opportunities with a connected person of the Company (as defined under the Listing Rules), through sourcing and/or facilitating to source more health and wellness or related products, which may, subject to the progress and materialisation, constitute continuing connected transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company as and when necessary in this regard.

As to the Food Additives Business classified under others in the segment information, the Group will make investments in a line of healthy instant noodles. These noodles incorporate *Chlamydomonas Reinhardtii* Nutrition Powder as a key ingredient. The powder is rich in essential plant-based protein, dietary fiber, vitamins, omega-3 fatty acid, polycarbohydrate and iron. It brings significant health values to customers who are concerned about blood sugar, blood pressure, lipid levels, cardiovascular and cerebrovascular health, as well as immunity issues. Moreover, it can aid in addressing common concerns such as bad low bowel, constipation, dry eyes, and itchy skin. The building up of relevant production line is in the progress and the product is target to be available in the market in 2024. Part of the products will be sold through our own platform in the Trading Segment.

As to the marketing plan in enhancing the market presence and recognition of the Group and the products it distributes, which in turn boost the revenue of the Group:

- in relation to offline distribution channels, leveraging on the Group's extensive experience of working with established offline distribution points, including but not limited to well-known supermarkets, the Group is negotiating with new supermarkets to further expand the sales channels; and
- in relation to online distribution channels, having considered the online sales penetration rate of household care products in China continuing to increase, the Group is working with well-established e-commerce platforms as well as social e-commerce platforms to appeal to a broader consumer base. The Group will further increase our online penetration, and extended the coverage to various consumer groups.

By order of the Board  
**China Ever Grand Financial Leasing Group Co., Ltd.**  
**Wong Lik Ping**  
*Chairman and Executive Director*

Hong Kong, 20 October 2023

*As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Siu Wai Bun, 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. Lo Tsun Yu, Mr. Ho Hin Yip, Mr. Wu Kai Tang and Mr. Leung Yiu Ming, David as Independent Non-Executive Directors.*