
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Ever Grand Financial Leasing Group Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CONTINUING CONNECTED TRANSACTIONS: TEI FRAMEWORK PURCHASE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders

VEDA | CAPITAL
智 略 資 本

A letter from the Board is set out on pages 4 to 16 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Veda Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 19 to 36 of this circular.

A notice convening the extraordinary general meeting (“EGM”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “Company”) to be held at Room 2203, 22nd Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong on Tuesday, 31 January 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account of the recent development of the pandemic caused by coronavirus disease 2019 (COVID-19), the Company will implement the following prevention and control measures at the meeting against the pandemic to protect the Shareholders from the risk of infection:

- (1) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
- (2) Every Shareholder or proxy is required to wear surgical facial mask throughout the meeting; and
- (3) No refreshment will be served.

Furthermore, the Company wishes to advise the Shareholders, particularly the Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the meeting as a proxy to vote on the resolutions, instead of attending the meeting in person.

10 January 2023

PRECAUTIONARY MEASURES FOR THE EGM

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- (2) Every Shareholder or proxy is required to wear surgical facial mask throughout the meeting; and
- (3) No refreshment will be served.

Any attendee, who (a) refuses to comply with the precautionary measures; (b) is subject to the Government's quarantine requirements or has close contact with any person under quarantine; (c) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (d) feels unwell or has any symptoms of COVID-19, will be denied entry into or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law. It is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing requirements or guidelines published by the Government and/or regulatory authorities at the time of the EGM. Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

Subject to the applicable law and regulations in Hong Kong in relation to social distancing, the Company may not be allowed to hold a physical general meeting in Hong Kong. The Company will make further announcement(s) if the Company is not allowed to hold a physical general meeting should there be any new social distancing measures imposed by the Government.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|--------------------|--|
| “Announcement” | the announcement of the Company dated 15 November 2022 relating to the transactions under the TEI Framework Purchase Agreement |
| “Annual Cap” | the proposed maximum annual aggregate transaction value in respect of transactions contemplated under the TEI Framework Purchase Agreement for the financial year ending 31 December 2023 |
| “Board” | the board of Directors |
| “Company” | China Ever Grand Financial Leasing Group Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange |
| “connected person” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Effective Date” | the date on which the entering into of the TEI Framework Purchase Agreement, the transactions contemplated hereunder and the Annual Cap, are approved by the Independent Shareholders of the Company at the EGM |
| “EGHC” | Ever Grand Healthcare Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held on Tuesday, 31 January 2023 at 11:00 a.m. at Room 2203, 22nd Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, among the others, approving, the transactions under the TEI Framework Purchase Agreement |
| “FY” | financial year of the Company ended or ending 31 December |
| “Group” | the Company and its subsidiaries |

DEFINITIONS

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|--|--|
| “HK Product” | Wong To Yick Wood Lock Ointment which may be officially distributed in Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Financial Adviser” or “Veda Capital Limited” | Veda Capital Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO, and an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions under the TEI Framework Purchase Agreement and the Annual Cap |
| “Independent Shareholder(s)” | Shareholders other than Mr. Ng Tin Shui and Ms. Chi Chin, and their respective associates |
| “Independent Third Parties” | a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company |
| “Latest Practicable Date” | 3 January 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Medical and Healthcare Product” | medical and healthcare products to be purchased by the Group from TEI including but not limited to the Product |
| “PRC” | the People’s Republic of China, excluding for the purposes of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Product” | Wong To Yick Wood Lock Ointment which may be officially distributed in the PRC |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| “Shares” | ordinary shares of HK\$0.1 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |

DEFINITIONS

| | |
|------------------------------------|---|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “TEI” | Top Empire International Limited, a company incorporated in Hong Kong with limited liability |
| “TEI Framework Purchase Agreement” | the agreement dated 15 November 2022 between the Company and TEI in relation to the purchase of Medical and Healthcare Products by the Group from TEI from the Effective Date to 31 December 2023 |
| “underlying shares” | has the meaning ascribed to it under Part XV of the SFO |
| “%” | per cent |

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

Executive Directors:

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

Registered office:

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

Non-Executive Director:

Ms. Yip Man Yi

*Head office and principal place
of business:*

Room 2203, 22nd Floor,
Kwan Chart Tower,
6 Tonnochy Road, Wanchai,
Hong Kong

Independent Non-executive Directors:

Mr. Ho Hin Yip
Mr. Lo Tsun Yu
Mr. U Keng Tin
Mr. Leung Yiu Ming, David

10 January 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
TEI FRAMEWORK PURCHASE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the TEI Framework Purchase Agreement. As disclosed in the Announcement, the Company entered into the TEI Framework Purchase Agreement with TEI on 15 November 2022.

Listing Rules Implications

TEI is owned by Mr. Ng Tin Shui, who is also an executive Director of the Company, and Ms. Chi Chin as to 50% and 50%, respectively. Mr. Ng Tin Shui and Ms. Chi Chin are spouses of each other. As at the Latest Practicable Date, Mr. Ng Tin Shui and Ms. Chi Chin are also substantial shareholders of the Company who are collectively interested in 220,470,000 Shares, representing 13.07% of the total issued share capital of the Company. Therefore, TEI is a

LETTER FROM THE BOARD

connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the TEI Framework Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As Mr. Ng Tin Shui and Ms. Chi Chin are the shareholders of TEI, Mr. Ng Tin Shui and Ms. Chi Chin and their associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules for the Annual Cap in relation to the TEI Framework Purchase Agreement are expected to be higher than 5%, the TEI Framework Purchase Agreement and the Annual Cap in relation thereto are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee of the Company, comprising all the independent non-executive Directors, has been appointed to advise the Independent Shareholders on, among other things, whether or not the TEI Framework Purchase Agreement and the Annual Cap are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee of the Company and the Independent Shareholders regarding the TEI Framework Purchase Agreement and the Annual Cap and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group.

The purposes of this circular are: (i) to provide the Shareholders with further information regarding the details of the transactions under the TEI Framework Purchase Agreement and the Annual Cap as mentioned in the Announcement; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions under the TEI Framework Purchase Agreement; and (iii) to give the Shareholders the notice of the EGM and other information required under the Listing Rules.

TEI FRAMEWORK PURCHASE AGREEMENT

Major terms of the TEI Framework Purchase Agreement are as follows:

| | |
|-------------------------|---|
| Date | 15 November 2022 |
| Parties | EGHC, as purchaser TEI, as supplier |
| Effective period | From the Effective Date to 31 December 2023 |
| Subject Matter | The Group would purchase the Medical and Healthcare Products from TEI |

LETTER FROM THE BOARD

Pricing basis

The price of the Medical and Healthcare Products shall be determined with reference to:-

- i. the prevailing market price of similar Medical and Healthcare Products (if applicable) of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates based on market information collected by the Group from time to time; and
- ii. the terms agreed with other suppliers who are Independent Third Party of the Group for the Medical and Healthcare Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions;

The price and the terms of the purchase of the Medical and Healthcare Products shall be agreed after arm's length negotiation between the Group and TEI based on normal commercial terms (as defined in the Listing Rules), and in any event shall be no less favourable to the Group than terms purchased by the Group from Independent Third Parties of the Group.

Maximum Price Offered by TEI

TEI further agrees that the maximum price of the Medical and Healthcare Products to be offered to the Group must not be higher or equal to the acquisition cost together with 1% markup thereon of the Medical and Healthcare Products as procured by TEI. In any event, if the price and the other terms of purchase for the Medical and Healthcare Products to be offered to the Group by TEI are less favourable than that offered by Independent Third Parties, the Group would not purchase the Medical and Healthcare Products from TEI.

For the purpose of proving of the acquisition cost of the Medical and Healthcare Products, EGHC shall have rights to request TEI to produce the underlying purchase orders, invoices or other documents of the Medical and Healthcare Products.

Annual Cap

FY2023: HK\$80 million

LETTER FROM THE BOARD

Pricing policy in determining the prevailing market price

In order to ascertain the prevailing market price, the sourcing team of the Group and its designated personnel will, before entering into a transaction, make reference to the price quoted by at least two Independent Third Parties for the supply of the same or similar Medical and Healthcare Products (if applicable) of comparable quality, ingredients, formula and quantities under normal commercial terms in the ordinary course of business of such Independent Third Parties; or if applicable, the price list of the same or similar Medical and Healthcare Products as obtained by the Group from Independent Third Parties from time to time. The team head of the sourcing team would also oversee and monitor the price or price list of the Medical and Healthcare Products as obtained by the designated personnel of the sourcing team. The team head would only approve the transaction if the price payable by Group will be on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties. The finance department of the Group will then compare the market price as procured and provided by the sourcing team under individual transactions pursuant to the respective agreement of continuing connected transactions, and make evaluation and assessment to ensure that the price payable by Group will be on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties.

Pricing policy for the Product

As at the Latest Practicable Date, since TEI is the only authorised distributor for the Product in the PRC, the Group would not be in the position to determine the prevailing market price for the Product in accordance with the established pricing policy. However, TEI provided a confirmation that TEI would, among TEI's customers, provide the lowest price for any Medical and Healthcare Products (including the Product) on normal commercial terms to be offered to the Group during the term of the TEI Framework Purchase Agreement. In light of above, the Board is of the view that the price payable by Group for the Product under the TEI Framework Purchase Agreement will be on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties. If there are more authorised distributors for the Product in future, the Group will ascertain the prevailing market price for the Product in accordance with the established pricing policy as mentioned above. Upon approval of the TEI Framework Purchase Agreement, the Group shall have the right to purchase the Product from TEI at the maximum of 101% of the acquisition costs of the Product as procured by TEI.

The products to be sourced under the TEI Framework Purchase Agreement

It is currently expected by the Company that the Company will source, among others, the Product for the PRC market under the TEI Framework Purchase Agreement. It is anticipated that the Product would account for over 80% of the Annual Cap (i.e. over HK\$64 million). Subject to further negotiation with TEI and the terms of the TEI Framework Purchase Agreement, the Company may procure other Medical and Healthcare Products from TEI.

LETTER FROM THE BOARD

The Company currently does not offer the Product in the PRC market. For the avoidance of doubt, although the Company currently offers the HK Product in Hong Kong, the HK Product is a different product in comparison with the Product in the sense that the HK Product cannot be officially distributed in the PRC.

The difference between the HK Product and the Product

All medical products should be pre-registered with the relevant authority before they can be officially distributed in the PRC. A Drug Re-registration Approval Notice (藥品再註冊批准通知書) had already been issued for the 50 ml of the Product by the National Medical Products Administration (國家藥品監督管理局).

To be eligible for the distribution in the PRC, medical products must undergo vigorous examinations and inspections before an import license is granted. The National Medical Products Administration (國家藥品監督管理局) will examine all aspects of the medical product, including but not limited to the brand's reputation, product ingredients and factory conditions.

The packaging of the Product must follow the labelling requirements as approved by the National Medical Products Administration (國家藥品監督管理局), which provided specific requirements for the font size, labelling and wordings on the product package. Hence, the packaging between the HK Product and the Product is different.

In relation to the ingredients of the HK Product and the Product, certain ingredients are forbidden to be used in the PRC. The ingredients for the HK Product and the Product are therefore different.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Product was only approved by the relevant authority in PRC in or about early 2021, and the manufacturer only appointed TEI as its authorised distributor for the Product in the PRC as at the Latest Practicable Date.

Basis of determination of Annual Cap

The Annual Cap was mainly determined with reference to the 3 categories, namely the Product, the HK Product, and Medical and Healthcare Products (other than the Product and the HK Product).

In determining the estimated amount of purchase for the Product, it is estimated by the Company that there would be a maximum demand of 1,650,000 bottles for the Product for the financial year ending 31 December 2023 (the "**Relevant Period**"). The maximum demand of 1,650,000 bottles is multiplied by the unit price per bottle (i.e. at 101% of the acquisition cost of the Product as acquired by TEI) to calculate the estimated amount of purchase for the Product.

LETTER FROM THE BOARD

Given that there was no historical transactions between the Company and TEI, the Company has considered (i) the unit price per bottle for the Product (i.e. at 101% of the acquisition cost of the Product as acquired by TEI); (ii) the expected demand of approximately 220,000 bottles of the Product from the prospective customers to be introduced by TEI based on the preliminary discussion in October 2022; and (iii) the estimated demand for the Product during the Relevant Period based on the historical sales record provided by TEI.

For the delivery period of 220,000 bottles of the Product, it is anticipated that after a customer has placed an order with the Group and full payment is made by the customer, the Group would arrange delivery of the Products to the customer within 3 weeks in Hong Kong. The customer would then arrange the delivery of the Products to the PRC.

TEI provided 2 purchase orders as the historical sales record to the Group. Both orders were made in October 2022. Each purchase order had over 110,000 bottles for the Product. Assuming that (i) one purchase order was made for each month for the first 9 months (i.e. 110,000 bottles x 9 months = 990,000 bottles), (ii) 2 purchase orders for the remaining 3 months (i.e. 220,000 bottles x 3 months = 660,000 bottles), there would be a total of 1,650,000 bottles for the Relevant Period for the Product.

In determining the estimated amount of purchase for the HK Product, the Group used the sales figures for the financial year ended 31 December 2022 (i.e. 256,320 bottles) as a reference. Due to the declining trend for the HK Product, the Company conservatively took a lower figure of 235,000 bottles (i.e. approximately 91.68% of the sales figure for the year ended 31 December 2022) for determining the maximum demand for the HK Product for the financial year ending 31 December 2023. The maximum demand of 235,000 bottles is multiplied by the unit price per bottle (i.e. at 101% of the acquisition cost of the HK Product as acquired by TEI) to calculate the estimated amount of purchase for the HK Product. For the avoidance of doubt, the Group currently purchases the HK Product from Independent Third Parties. It is expected that TEI would be able to offer a better price for the HK Product to the Group, once the TEI Framework Purchase Agreement is approved at the EGM and becomes effective.

For the remaining portion of the Annual Cap, the Group allocates approximately 4.21% of the Annual Cap for the Medical and Healthcare Products (other than the Product and the HK Product).

Please refer to the table below for the expected allocation of the Annual Cap: -

| Items | Percentage for the Annual Cap |
|--|--|
| The Product | 83.33% |
| The HK Product | 12.46% |
| The Medical and Healthcare Products (other than the Product and the HK Product) | <u>4.21%</u> |
| Total | <u><u>100.00%</u></u> |

LETTER FROM THE BOARD

The above allocation of the Annual Cap among the Product, the HK Product and the Medical and Healthcare Product (other than the Product and the HK Product) is for illustration purposes only. The actual proportion of among the Product, the HK Product and the Medical and Healthcare Product (other than the Product and the HK Product) under the Annual Cap may be different due to unforeseeable market conditions. In any event, the total sales figures under the TEI Framework Purchase Agreement would not exceed the Annual Cap.

In light of above, the Directors consider that the pricing basis under the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable.

For avoidance of doubt, no purchase was made by the Group from TEI for the three years ended 31 December 2022 and up to the Latest Practicable Date.

Condition precedent

The TEI Framework Purchase Agreement is conditional upon the Independent Shareholders approving the TEI Framework Purchase Agreement and the transactions contemplated thereunder and the Annual Cap.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TEI FRAMEWORK PURCHASE AGREEMENT

The Group is principally engaged in the business of (i) financial leasing and its consultancy services in the PRC, (ii) provision of loans as a money lender in Hong Kong, (iii) manufacturing and research of food additives in the PRC, and (iv) trading in Hong Kong and PRC.

TEI is a company established in the Hong Kong with limited liability and its principal business activity is distributorship business in medical and healthcare products in Hong Kong and the PRC. TEI is owned by Mr. Ng Tin Shui, who is also an executive Director, and Ms. Chi Chin as to 50% and 50%, respectively. Mr. Ng Tin Shui and Ms. Chi Chin are spouses of each other. As at the Latest Practicable Date, TEI is the only authorised distributor, who has the right to distribute the Product in the PRC and has agreed to supply the Product to the Company for distribution in the PRC market.

EGHC is principally engaged in the trading of medical, healthcare, daily necessities and hygiene products business.

LETTER FROM THE BOARD

The Company is intended to strengthen its trading business by entering into the TEI Framework Purchase Agreement. By entering into of the TEI Framework Purchase Agreement, the Group will be able to expand its products portfolio with the Product to the PRC market. Save and except the TEI Framework Purchase Agreement, the Company would continue the current operation of the trading business for the coming financial year ending 2023. Save and except the TEI Framework Purchase Agreement, there would be no changes to the current operation of the trading business of the Company nor the business plan for the trading business of the Company.

The trading segment of the Group mainly consists of 3 business lines, namely the Sales and Distributions Model, the Own Brand Model and the Original Equipment Manufacturer (**OEM**) Model.

Sales and Distributions Model The Group is a distributor for the sale and distribution of the HK Product and other medical and healthcare products.

Own Brand Model The Group engages third party manufacturers to produce products under its own brand. The Group also obtained a number of trademarks for its products. Products sold under the Own Brand Model include hygienic face mask, ethyl alcohol, washing machine drum cleaner, shampoo and conditioner.

OEM Model The Group provides supply chain solution services to the OEM customers and acts as the principal for the relevant sourcing transactions, as well as bear the risk and reward before the products are transferred to the OEM customers, including, among other things, product appearance design, material procurement and logistics arrangement. Products sold under the OEM Model are daily necessities, including but not limited to ethyl sanitiser, facial cleanser, air freshener etc.

Following the entering into of the TEI Framework Purchase Agreement, there would be no change to the operation of the Own Brand Model and the OEM. It is expected by the Company that the TEI Framework Purchase Agreement would strengthen the operation of the Sales and Distributions Model. However, the entering into the TEI Framework Purchase Agreement would not affect the current operation of the existing business of the Sales and Distributions Model. For the avoidance of doubt, the mix of the suppliers of the Sales and Distributions Model would change, once the TEI Framework Purchase Agreement is approved at the EGM and becomes effective given that TEI will become one of the suppliers to the Company.

LETTER FROM THE BOARD

In light of the above, the Directors consider that the terms of the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL

In order to ensure the terms of the TEI Framework Purchase Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- i. the finance department of the Company will closely monitor the transactions on a monthly basis under the TEI Framework Purchase Agreement to ensure that the transactions amount will not exceed the Annual Cap for the TEI Framework Purchase Agreement;
- ii. the finance department of the Company will conduct regular random checks on a quarterly basis to review and assess whether the transactions contemplated under the TEI Framework Purchase Agreement are conducted on normal commercial terms, in accordance with the terms set out in the TEI Framework Purchase Agreement and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;
- iii. the finance department of the Company, on a quarterly basis, will independently verify (i) the prevailing market price of the Medical and Healthcare Products as ascertained by the sourcing team, and (ii) the acquisition costs of the Medical and Healthcare Products purchased from TEI. In order to ensure the price for the purchase of Medical and Healthcare Products from TEI is fair and reasonable and no less favourable than those offered by Independent Third Parties, the finance department will (i) separately seek quotes from Independent Third Parties for the relevant Medical and Healthcare Products, (ii) independently obtain price lists for the Medical and Healthcare Products from Independent Third Parties, and (iii) require TEI to provide the underlying evidence such as purchase orders or contracts for the acquisition cost for the Medical and Healthcare Products purchased by the Group. If the finance department found out any alternative suppliers which might offer more favourable price to the relevant Medical and Healthcare Products, the finance department would inform and seek confirmation from the sourcing team. In line with the Company's pricing policy, the Company would consider purchasing the relevant Medical and Healthcare Products from that alternative suppliers going forward;

LETTER FROM THE BOARD

- iv. the Company's external auditor will conduct an annual review of the transactions entered into under the TEI Framework Purchase Agreement to ensure that the transactions amount is within the Annual Cap and the transactions is in accordance with the terms set out in the TEI Framework Purchase Agreement; and
- v. the Company's independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the TEI Framework Purchase Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the pricing policy and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the TEI Framework Purchase Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

LISTING RULES IMPLICATIONS

TEI is owned by Mr. Ng Tin Shui, who is also an executive Director of the Company, and Ms. Chi Chin as to 50% and 50%, respectively. Mr. Ng Tin Shui and Ms. Chi Chin are spouses of each other. As at the Latest Practicable Date, Mr. Ng Tin Shui and Ms. Chi Chin are also substantial shareholders of the Company who are collectively interested in 220,470,000 Shares, representing 13.07% of the total issued share capital of the Company. Therefore, TEI is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the TEI Framework Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As Mr. Ng Tin Shui and Ms. Chi Chin are the shareholders of TEI, Mr. Ng Tin Shui and Ms. Chi Chin and their associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules for the Annual Cap in relation to the TEI Framework Purchase Agreement are expected to be higher than 5%, the TEI Framework Purchase Agreement and the Annual Cap in relation thereto are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Mr. Ng Tin Shui had abstained from voting on the relevant board resolutions for approving the TEI Framework Purchase Agreement and the transactions contemplated thereunder. Save and except Mr. Ng Tin Shui, none of the Directors has a material interest in the TEI Framework Purchase Agreement. Accordingly, none of them is required to abstain from voting on the relevant board resolutions to approve the TEI Framework Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

An Independent Board Committee of the Company, comprising all the independent non-executive Directors, has been appointed to advise the Independent Shareholders on, among other things, whether or not the TEI Framework Purchase Agreement and the Annual Cap are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee of the Company and the Independent Shareholders regarding the TEI Framework Purchase Agreement and the Annual Cap and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group.

Shareholders who have material interests in the transactions under the TEI Framework Purchase Agreement, are required to abstain from voting in the resolution proposed to approve the transactions under the TEI Framework Purchase Agreement and the Annual Cap at the EGM. As at the Latest Practicable Date, (i) TEI, which is owned by Mr. Ng Tin Shui and Ms. Chi Chin as to 50% and 50% respectively. Ms. Chi Chin held and controlled voting rights of 163,900,000 Shares; and (ii) China Food Safety Holding (Hong Kong) Company, which is wholly-owned by Mr. Ng Tin Shui, held and controlled voting rights of 56,570,000 Shares. Therefore, as at the Latest Practicable Date, Mr. Ng Tin Shui and Ms. Chi Chin, are collectively interested in 220,470,000 Shares, representing 13.07% of the total issued share capital of the Company. Mr. Ng Tin Shui and Ms. Chi Chin and their associates including China Food Safety Holding (Hong Kong) Company, shall abstain from voting on the resolution to be proposed at the EGM in respect of the TEI Framework Purchase Agreement and the Annual Cap.

Save as disclosed above and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have a material interest in the transactions under the TEI Framework Purchase Agreement which requires them to abstain from voting in the resolution proposed to approve the transactions under the TEI Framework Purchase Agreement and the Annual Cap.

EGM

The Company will hold the EGM on Tuesday, 31 January 2023 at 11:00 a.m. at Room 2203, 22nd Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong or any adjournment of the meeting, at which the resolutions will be proposed for the purposes of considering and if thought fit, among the others, approving the transactions under the TEI Framework Purchase Agreement. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 26 January 2023 to 31 January 2023 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by not later than 4:30 p.m. on 20 January 2023.

A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e., not later than 11:00 a.m. on Sunday, 29 January 2023) (Hong Kong time)) or any adjournment of the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM in person or any adjournment of the EGM should you so desire.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the EGM will be conducted by way of poll.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the transactions under the TEI Framework Purchase Agreement and the Annual Cap; (ii) the letter from Veda Capital Limited, the Independent Financial Adviser, set out on pages 19 to 36 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the TEI Framework Purchase Agreement and the Annual Cap; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Veda Capital Limited, the Independent Financial Adviser, considers that the terms of the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and the transactions under the TEI Framework Purchase Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the transactions under the TEI Framework Purchase Agreement and the Annual Cap.

LETTER FROM THE BOARD

The Board considers that the transactions under the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and therefore recommend you vote in favour of the resolution in respect of the TEI Framework Purchase Agreement and the Annual Cap to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

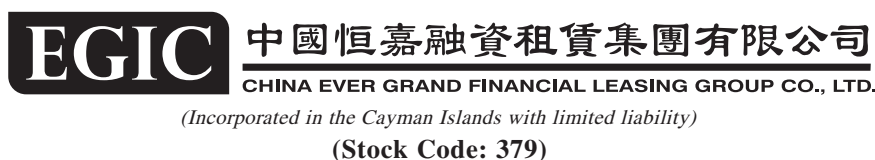
For and on behalf of the Board of

China Ever Grand Financial Leasing Group Co., Ltd.

Lai Ka Fai

Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



10 January 2023

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: TEI FRAMEWORK PURCHASE AGREEMENT

We refer to the circular of the Company dated 10 January 2023 of the Company (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the TEI Framework Purchase Agreement and the Annual Cap, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from Veda Capital Limited in the Circular.

Having taken into account of the advice of Veda Capital Limited, the Independent Financial Adviser, we consider that (i) the terms of the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) the transactions under the TEI Framework Purchase Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the transactions under the TEI Framework Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the transactions under the TEI Framework Purchase Agreement and the Annual Cap.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
China Ever Grand Financial Leasing Group Co., Ltd.**

Mr. Lo Tsun Yu

Mr. Ho Hin Yip

Mr. U Keng Tin

**Mr. Leung Yiu Ming,
David**

Independent

Independent

Independent

Independent

Non-executive Director Non-executive Director Non-executive Director Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the TEI Framework Purchase Agreement and the Annual Cap which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智 略 資 本

Suite 1001, 10/F., 299 QRC
299 Queen's Road Central
Hong Kong

10 January 2023

*To: Independent Board Committee and the Independent Shareholders of
China Ever Grand Financial Leasing Group Co., Ltd*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: TEI FRAMEWORK PURCHASE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the TEI Framework Purchase Agreement and the Annual Cap, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 January 2023 (the “**Circular**”) issued by the Company to its shareholders (the “**Shareholder(s)**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 15 November 2022 (after trading hours of the Stock Exchange), the Company, as purchaser, and TEI, as supplier, entered into the TEI Framework Purchase Agreement pursuant to which the Group agreed to purchase, and TEI agreed to sell, the Medical and Healthcare Products from the Effective Date to 31 December 2023.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules for the Annual Cap in relation to the TEI Framework Purchase Agreement are expected to be higher than 5%, the TEI Framework Purchase Agreement and the Annual Cap in relation thereto are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Board Letter, as at the Latest Practicable Date, TEI is owned by Mr. Ng Tin Shui, who is also an executive Director, and Ms. Chi Chin as to 50% and 50%, respectively. Mr. Ng Tin Shui and Ms. Chi Chin are spouses of each other. As at the Latest Practicable Date, Mr. Ng Tin Shui and Ms. Chi Chin are also substantial Shareholders who are collectively interested in 220,470,000 Shares, representing approximately 13.07% of the total issued share capital of the Company. Therefore, TEI is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the TEI Framework Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As Mr. Ng Tin Shui and Ms. Chi Chin are the shareholders of TEI, Mr. Ng Tin Shui and Ms. Chi Chin and their associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters. Save for Mr. Ng Tin Shui and Ms. Chi Chin and their associates who have a material interest in the TEI Framework Purchase Agreement, no other Shareholder has material interest in the TEI Framework Purchase Agreement and the transactions contemplated thereunder. Therefore, no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lo Tsun Yu, Mr. Ho Hin Yip, Mr. U Keng Tin and Mr. Leung Yiu Ming, David, has been formed to advise the Independent Shareholders on, among other things, whether or not the TEI Framework Purchase Agreement and the Annual Cap are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group. We, Veda Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the TEI Framework Purchase Agreement and the Annual Cap, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) information in relation of the Group, including but not limited to, the published financial reports of the Company for the six months ended 30 June 2022 and for the two financial years ended 31 December 2021; (ii) information provided by the Company; (iii) the Circular; and (iv) information obtained from the websites of the Stock Exchange and Wong To Yick Wood Lock Ointment. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the TEI Framework Purchase Agreement and the Annual Cap, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Financial information of the Group

The business of the Group has the following reportable segments: (i) the provision of finance lease consulting services and financing services in the PRC (the “**Financial Leasing Segment**”); (ii) the investment properties in the PRC and Hong Kong, investments in securities and money lending business in Hong Kong (the “**Investment Segment**”); (iii) sale of medical, health, hygiene products and daily necessities (the “**Trading Segment**”); and (iv) research and development, manufacturing and sale of food additives, new food ingredients and nutritional enhancers in the PRC (the “**Food Additives Business Segment**”).

Set out below is a summary of the unaudited consolidated financial information of the Company for the six months ended 30 June 2021 and 2022 as extracted from the interim reports of the Company for the six months ended 30 June 2021 and 2022 respectively:

For the six months ended 30 June 2022

| | For the six months ended | | YOY changes % |
|---|---------------------------------|-----------------|------------------------------|
| | 30 June | | |
| | 2022 | 2021 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (unaudited) | (unaudited) | |
| Revenue | 50,343 | 47,706 | 5.53 |
| – <i>Financial Leasing Segment</i> | 2,856 | 1,573 | 81.56 |
| – <i>Investment Segment</i> | 5,478 | 5,497 | (0.35) |
| – <i>Trading Segment</i> | 40,345 | 37,961 | 6.28 |
| – <i>Food Additives Business Segment</i> | 1,664 | 2,675 | (37.79) |
| Loss attributable to the Shareholders | (37,614) | (23,501) | 60.05 |
| | | | |
| | As at 30 June | | YOY changes % |
| | 2022 | 2021 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (unaudited) | (unaudited) | |
| Total Assets | 969,166 | 1,099,716 | (11.87) |
| Net assets attributable to the Shareholders | 467,050 | 535,034 | (12.71) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company recorded revenue for the six months ended 30 June 2022 in the amount of approximately HK\$50.34 million, representing an increase of approximately 5.53% as compared to that for the six months ended 30 June 2021 in the amount of approximately HK\$47.71 million. As advised by the Management, the increase in revenue of approximately HK\$2.63 million was mainly attributed to the increase in sales of daily necessities and hygiene products in the Trading Segment as a result of the increased demand of such products and public awareness of hygiene and health during the Covid-19 pandemic.

The Company recorded a net loss attributable to the Shareholders in the amount of approximately HK\$37.61 million, representing an increase of approximately 60.05% as compared to the net loss attributable to the Shareholders for the six months ended 30 June 2021 in the amount of approximately HK\$23.50 million. As advised by the Management, the increase in net loss mainly resulted from the increase in the fair value loss on financial assets and impairment loss on loan receivable from sale-leaseback transaction.

The Company's unaudited total assets as at 30 June 2022 amounted to approximately HK\$969.17 million. The unaudited net assets value attributable to the Shareholders amounted to approximately HK\$467.05 million, representing a decrease of approximately 12.71% as compared to that of approximately HK\$535.03 million as at 30 June 2021.

Set out below is a summary of the audited consolidated financial information of the Company for the FY2020 and FY2021 as extracted from the annual reports of the Company for the financial year ended 31 December 2020 and 2021 respectively:

For the FY2021

| | FY2021 | FY2020 | YOY |
|--|-----------------|-----------------|----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | changes |
| | (audited) | (audited) | % |
| Revenue | 123,630 | 66,184 | 86.80 |
| – <i>Financial Leasing Segment</i> | 3,214 | 21,649 | (85.15) |
| – <i>Investment Segment</i> | 11,182 | 4,201 | 166.17 |
| – <i>Trading Segment</i> | 103,502 | 36,808 | 181.19 |
| – <i>Food Additives Business Segment</i> | 5,732 | 3,526 | 62.56 |
| Loss attributable to the Shareholders | (40,619) | (242,933) | (83.28) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | As at 31 December | | YOY |
|---|--------------------------|-----------------|----------------|
| | 2021 | 2020 | changes |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>%</i> |
| | (audited) | (audited) | |
| Total Assets | 1,081,497 | 1,185,716 | (8.79) |
| Net assets attributable to the Shareholders | 515,711 | 568,063 | (9.22) |

The Company recorded revenue for the FY2021 in the amount of approximately HK\$123.63 million, representing an increase of approximately 86.80% as compared to that for the FY2020 in the amount of approximately HK\$66.18 million. As advised by the Management, the increase in revenue of approximately HK\$57.45 million was mainly attributed to the increase in sales of daily necessities and hygiene products in the Trading Segment as a result of the expansion in trading of medical, health, daily necessities and hygiene products business in Hong Kong.

The Company recorded a net loss attributable to the Shareholders in the amount of approximately HK\$40.62 million, representing a decrease of approximately 83.28% as compared to the net loss attributable to the Shareholders for the FY2020 in the amount of approximately HK\$242.93 million. As advised by the Management, the decrease in net loss mainly due to (i) the decrease in impairment loss on finance lease receivables in the amount of approximately HK\$101.32 million; (ii) the increase in reversal of impairment on receivable from sales-leaseback transaction in the amount of approximately HK\$105.35 million; and (iii) the increase in share of results of associates in the amount of approximately HK\$27.01 million.

The Company's audited total assets as at 31 December 2021 amounted to approximately HK\$1,081.50 million. The audited net assets value attributable to the Shareholders amounted to approximately HK\$515.71 million, representing a decrease of approximately 9.22% as compared to that of approximately HK\$568.06 million as at 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the audited consolidated financial information of the Company for the financial years ended 31 December 2019 and 2020 as extracted from the annual reports of the Company for the financial year ended 31 December 2019 and 2020 respectively:

For the FY2020

| | FY 2020 | FY 2019 | YOY |
|---|--------------------------|-----------------|----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | changes |
| | (audited) | (audited) | % |
| Revenue | 66,184 | 71,155 | (6.99) |
| – Financial Leasing Segment | 21,649 | 56,393 | (61.61) |
| – Investment Segment | 4,201 | 12,739 | (67.02) |
| – Trading Segment | 36,808 | – | – |
| – Food Additives Business Segment | 3,526 | 2,023 | 74.30 |
| Loss attributable to the Shareholders | (242,933) | (34,132) | 611.75 |
| | As at 31 December | | YOY |
| | 2020 | 2019 | changes |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | % |
| | (audited) | (audited) | |
| Total Assets | 1,185,716 | 1,546,675 | (23.34) |
| Net assets attributable to the Shareholders | 568,063 | 740,419 | (23.28) |

Note: During the financial year ended 31 December 2020, the Group expanded its core business to production, wholesale, distribution and trading of daily necessities, including personal care and sanitizing products as well as face masks in Hong Kong, the revenue from which has been categorized under the Trading Segment, as a new business segment. The segment information for the financial year ended 31 December 2019 in the table above was expressed as the previous business segments of the Group for illustrative purpose.

The Company recorded revenue for the FY2020 in the amount of approximately HK\$66.18 million, representing a decrease of approximately 6.99% as compared to that for the FY2019 in the amount of approximately HK\$71.16 million. As advised by the Management, the decrease in revenue of approximately HK\$4.98 million was mainly due to the decrease in revenue of the Financial Leasing Segment as a result of the interest cost accrued from financial leasing projects of the Group, the borrowings became greater than the income from the respective delinquent receivables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company recorded a net loss attributable to the Shareholders in the amount of approximately HK\$242.93 million, representing an increase of approximately 611.75% as compared to the net loss attributable to the Shareholders for the FY2019 in the amount of approximately HK\$34.13 million. As advised by the Management, the increase in net loss was mainly due to Covid-19 pandemic relating matters that resulted in higher operating loss and impairment loss on the finance lease and loan receivables in the Financial Leasing Segment.

The Company's audited total assets as at 31 December 2020 amounted to approximately HK\$1,185.72 million. The audited net assets value attributable to the Shareholders amounted to approximately HK\$568.06 million, representing a decrease of approximately 23.28% as compared to that of approximately HK\$740.42 million as at 31 December 2019.

2. Information of EGHC and TEI

EGHC

EGHC is a company incorporate in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. EGHC with its associate which had been acquired by the Group on 21 August 2020 are principally engaged in the trading of medical, healthcare, daily necessities and hygiene products business.

TEI

TEI is a company established in Hong Kong with limited liability and its principal business activity is distributorship business in medical and healthcare products in Hong Kong and PRC. TEI is one of the a few distributors of the HK Product, and is the only authorised distributor of the Product, who has the right to distribute the Product and the HK Product in the PRC and Hong Kong respective.

3. Reasons for and benefits of the TEI Framework Purchase Agreement

As stated in the Board Letter, the Group is principally engaged in the business of (i) financial leasing and its consultancy services in the PRC, (ii) provision of loans as a money lender in Hong Kong, (iii) manufacturing and research of food additives in the PRC, and (iv) trading in Hong Kong and PRC.

As noted from the section headed "Financial information of the Group" in this letter, the Trading Segment has been generating income for the Company, which recorded notable year-on-year growths of approximately 181.19% for the FY2021 as compared to that for FY 2020 and has continued to be growing during the six months ended 30 June 2022. It is expected that the Trading Segment will continue to sustain its growth attributed to the increased in uses of personal care, sanitizing products and face masks due to the increase in public healthcare awareness.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter and to continue to develop the Group's Trading Segment, it is expected that the Company will source, among others, the Product, the HK Product (both being Wong To Yick Wood Lock Ointment) and other Medical and Healthcare products from TEI for the PRC and Hong Kong markets. We noted from the website of Wong To Yick Wood Lock Ointment that Wong To Yick Wood Lock Ointment is a traditional Chinese medical (the "TCM") product, which is applied to relax human muscles, to promote blood circulation and relieve pain and to treat welling pains, muscle and tendon cramps in head, neck, shoulders, back, thigh, calf and foot. Wong To Yick Wood Lock Ointment was developed and invented by a herbalist, Mr. Wong To Yick in 1968, having more than 50 years of history and is currently sold in Hong Kong, the PRC, Australia, Canada and the United States. Furthermore, Wong To Yick Wood Lock Ointment is manufactured under the standard of Good Manufacturing Practice issued by the World Health Organization which is a system for ensuring that products are consistently produced and controlled according to quality standards.

As advised by the Company, we noted that the Company currently offers the HK Product in Hong Kong, and the historical quantity of the HK Product sold by the Group represents over 88% of the historical quantity of the HK Product sourced by the Group for each of the years from 2020 to 2022. Based on the above, we concur with the view of the Directors that the demand of the Group's HK Product has been strong and the increasing in the Group's purchase and inventory of the HK Product will allow the Group to increase the sales of the HK Product and thus enhance its market shares in Hong Kong.

Additionally, we have been given to understand that TEI is the only authorised distributor for the Product in the PRC and that the Group through TEI can source the Product to enter into the PRC market. The HK Product and the Product are different in terms of, among other things, size, packaging, ingredients and have to be sold in different geographic areas. The packaging and the ingredients used in the Product has met the production and selling requirements of the National Medical Products Administration which in turn will allow the Company to sell the Product in the PRC. Accordingly, by sourcing the Product under the TEI Framework Purchase Agreement, the Directors considers that the Company may enter into the PRC market to expand its potential customers base, products portfolio and source of income. For the reasons mentioned above, we also concur with the Directors that the entering of the TEI Framework Purchase Agreement will increase the supply of the Product and the HK Product for the Company and is beneficial to the Group to increase its sales and enhance its market shares in Hong Kong and PRC.

Having considered that (i) the Trading Segment generated increasing revenue for the FY2021 and six months ended 30 June 2022; (ii) the long history, reputation and uses of the HK Product and the Product, being a wellness TCM product; (iii) the increase in the inventory of the HK Products will potentially allow the Group to increase its sales in Hong Kong; and (iv) the sourcing of the Products will allow the Group to enter into the TCM market in the PRC to expand its market shares and source of income, we are of the view that entering of the TEI Framework Purchase Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the TEI Framework Purchase Agreement

| | |
|-------------------------|--|
| Date | 15 November 2022 |
| Parties | (i) EGHC, as purchaser; and (ii) TEI, as supplier |
| Effective period | From the Effective Date to 31 December 2023 |
| Subject Matter | The Group would purchase the Medical and Healthcare Products from TEI |
| Pricing basis | <p>The price of the Medical and Healthcare Products shall be determined with reference to:</p> <ul style="list-style-type: none">(i) the prevailing market price of similar Medical and Healthcare Products (if applicable) of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates based on market information collected by the Group from time to time; and(ii) the terms agreed with other suppliers who are Independent Third Parties for the Medical and Healthcare Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions; |

The price and the terms of the purchase of the Medical and Healthcare Products shall be agreed after arm's length negotiation between the Group and TEI based on normal commercial terms (as defined in the Listing Rules), and in any event shall be no less favourable to the Group than terms purchased by the Group from Independent Third Parties of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Maximum Price
Offered by TEI**

TEI further agrees that the maximum price of the Medical and Healthcare Products to be offered to the Group must not be higher or equal to the acquisition cost together with 1% markup thereon of the Medical and Healthcare Products as procured by TEI. In any event, if the price and the other terms of purchase for the Medical and Healthcare Products to be offered to the Group by TEI is less favourable than that offered by Independent Third Parties, the Group would not purchase the Medical and Healthcare Products from TEI.

For the purpose of proving of the acquisition cost of the Medical and Healthcare Products, EGHC shall have rights to request TEI to produce the underlying purchase orders, invoices or other documents of the Medical and Healthcare Products.

Annual Cap

FY2023: HK\$80 million

As set out in the Board Letter, most of the Annual Cap was mainly determined with references to the estimated maximum purchase orders multiplying with the average purchase prices of the Product and the remaining of the Annual Cap was determined to cope with the purchase of the HK Products and other Health and Medical Products.

For avoidance of doubt, no purchase was made by the Group from TEI for the three years ended 31 December 2022 and up to the Latest Practicable Date.

Pricing policy in determining the prevailing market price

In order to ascertain the prevailing market price, the sourcing team of the Group and its designated personnel will, before entering into a transaction, make reference to the price quoted by at least two Independent Third Parties for the supply of the same or similar Medical and Healthcare Products (if applicable) of comparable quality, ingredients, formula and quantities under normal commercial terms in the ordinary course of business of such Independent Third Parties; or if applicable, the price list of the same or similar Medical and Healthcare Products as obtained by the Group from Independent Third Parties from time to time. The team head of the sourcing team would also oversee and monitor the price or price list of the Medical and Healthcare Products as obtained by the designated personnel of the sourcing team. The team head would only approve the transaction if the price payable by Group will be on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties. The finance department of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group will then compare the market price as procured and provided by the sourcing team under individual transactions pursuant to the respective agreement of continuing connected transactions, and make evaluation and assessment to ensure that the price payable by Group will be on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties.

Pricing policy for the Product

As at the Latest Practicable Date, since TEI is the only authorised distributor for the Product in the PRC, the Group would not be in the position to determine the prevailing market price for the Product in accordance with the established pricing policy. However, TEI provided a confirmation that TEI would, among TEI's customers, provide the lowest price for any Medical and Healthcare Products (including the Product) on normal commercial terms to be offered to the Group during the term of the TEI Framework Purchase Agreement. If there are more authorised distributors for the Product in the future, the Group will ascertain the prevailing market price for the Product in accordance with the established pricing policy as mentioned above. Upon approval of the TEI Framework Purchase Agreement, the Group shall have the right to purchase the Product from TEI at the maximum of 101% of the acquisition costs of the Product as procured by TEI.

Condition precedent

The TEI Framework Purchase Agreement is conditional upon the Independent Shareholders approving the TEI Framework Purchase Agreement and the transactions contemplated thereunder and the Annual Cap.

5. Internal Control and pricing basis

As stated in the Board Letter, in order to ensure the terms of the TEI Framework Purchase Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance department of the Company (the “**Finance Department**”) will closely monitor the transactions on a monthly basis under the TEI Framework Purchase Agreement to ensure that the transactions amount will not exceed the Annual Cap for the TEI Framework Purchase Agreement;
- (ii) the Finance Department will conduct regular random checks on a quarterly basis to review and assess whether the transactions contemplated under the TEI Framework Purchase Agreement are conducted on normal commercial terms, in accordance with the terms set out in the TEI Framework Purchase Agreement and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Finance Department, on a quarterly basis, will independently verify (i) the prevailing market price of the Medical and Healthcare Products as ascertained by the sourcing team, and (ii) the acquisition costs of the Medical and Healthcare Products purchased from TEI. In order to ensure the price for the purchase of Medical and Healthcare Products from TEI is fair and reasonable and no less favourable than those offered by Independent Third Parties, the Finance Department will (i) separately seek quotes from Independent Third Parties for the relevant Medical and Healthcare Products, (ii) independently obtain price lists for the Medical and Healthcare Products from Independent Third Parties, and (iii) require TEI to provide the underlying evidence (i.e. purchase orders or contracts) for the acquisition cost for the Medical and Healthcare Products purchased by the Group. If the Finance Department found out any alternative suppliers which might offer more favourable prices to the relevant Medical and Healthcare Products, the finance department would inform and seek confirmation from the sourcing team. In line with the Company's pricing policy, the Company would consider purchasing the relevant Medical and Healthcare Products from alternative suppliers going forward;
- (iv) the Company's external auditor will conduct an annual review of the transactions entered into under the TEI Framework Purchase Agreement to ensure that the transactions amount is within the Annual Cap and the transactions is in accordance with the terms set out in the TEI Framework Purchase Agreement; and
- (v) the Company's independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the TEI Framework Purchase Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

We have reviewed the above-mentioned internal control procedures of the Company that govern the continuing connected transactions contemplated under the TEI Framework Purchase Agreement. As advised by the Management, we were given to understand that the sales team will follow the purchase orders to monitor, including not limited to, performing quality and quantity inspections on a random sampling basis, the logistics and the quality assessment (i.e. regular random checks to assess the smell, color and validity period of the products) under the internal control procedures. If the transactions amount of any continuing connected transaction that is or will be incurred in the FY2023 will reach or exceed the Annual Cap or the prices higher than market prices available from other suppliers, the Finance department shall report to the Management and appropriate measures will be taken to ensure that the requirements under the Listing Rules are complied with, including negotiating with TEI and obtaining the approval of Independent Shareholders. The financial department of the Group will also be responsible for the monitoring of the transactions under the TEI Framework Purchase Agreement whether being (a) conducted on normal commercial terms; (b) negotiated on arm's length basis; and (c) at market prices or prices not less favourable to the Group from TEI than those available from Independent Third Parties.

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We have further discussed with the Management and were given to understand that the Finance department will closely monitor the transaction amounts under the TEI Framework Purchase Agreement for ensuring the Company's timely compliance with the requirements of the Listing Rules. We understood that the responsibilities of the Finance department will include, among other matters, (i) reviewing management accounts for the continuing connected transactions on a monthly basis to ensure that purchases by the Group from TEI do not exceed the Annual Cap; (ii) assessing credit risks for the continuing connected transactions on a half year basis to reduce the risk of bad debts; and (iii) reporting to Management on a timely manner if it is expected that the transactions are unfollow the terms of the TEI Framework Purchase Agreement and consider measures to be taken. Further to the above, the Management will communicate with the Finance department regularly to procurement staff to assess the expected purchase orders and closely monitor the transaction amounts. Taking into account the above, we consider that the Company has appropriate internal control procedures in place to ensure its timely compliance with the requirements under Chapter 14A of the Listing Rules.

As set out in the Board Letter, the maximum price of the Medical and Healthcare Products to be offered to the Group must not be higher or equal to the acquisition cost together with 1% markup thereon of the Medical and Healthcare Products as procured by TEI. To ensure that the purchase prices payable by Group for the Product under the TEI Framework Purchase Agreement will be on terms that no less favourable to the Group than those available from Independent Third Parties, TEI has provided, and we have obtained a copy of, a confirmation to the Company that TEI would provide the lowest price for Medical and Healthcare Products (including the Product) on normal commercial terms. Moreover, we were also given that the sourcing team of the Group and its designated personnel will, from time to time, make reference to the price quoted by at least two Independent Third Parties of comparable quality, ingredients, formula and quantities, and the Finance department will then compare the market price under individual transactions pursuant to the respective agreement, and also will make evaluation and assessment to ensure that the price payable by the Group will on terms that no less favourable to the Group than those available from Independent Third Parties. Moreover, the Group, through EGHC has the right to request TEI to provide the underlying purchase orders, invoices or other documents of the Medical and Healthcare Products to prove the acquisition cost of the Medical and Healthcare Products. All the price quotations will be prepared by the sourcing team of the Group and were subject to the review of a Director. If the price provided by the Independent Third Parties is favourable than the price provided by TEI, the Company may decide to purchase from the Independent Third Parties. As such, we consider that the Group has put in place an effective internal control to monitor the purchase prices of the Medical and Healthcare Products. Based on the above, we are of the view that the pricing basis under the TEI Framework Purchase Agreement is fair and reasonable.

Given the above, we concur with the view of the Directors that the terms of the TEI Framework Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. One-year Annual Cap

Basis of determination of Annual Cap

The Annual Cap was mainly determined with reference to the 3 categories, namely the Product, the HK Product, and Medical and Healthcare Products (other than the Product and the HK Product).

In determining the estimated amount of purchase for the Product, it is estimated by the Company that there would be a maximum demand of 1,650,000 bottles for the Product for the financial year ending 31 December 2023 (the “**Relevant Period**”). The maximum demand of 1,650,000 bottles is multiplied by the unit price per bottle (i.e. at 101% of the acquisition cost of the Product as acquired by TEI) to calculate the estimated amount of purchase for the Product.

Given that there were no historical transactions between the Company and TEI, the Company has considered (i) the unit price per bottle for the Product (i.e. at 101% of the acquisition cost of the Product as acquired by TEI); (ii) the expected demand of approximately 220,000 bottles of the Product from the prospective customers to be introduced by TEI based on the preliminary discussion in October 2022; and (iii) the estimated demand for the Product during the Relevant Period based on the historical sales record provided by TEI.

TEI provided 2 purchase orders as the historical sales record to the Group. Both orders were made in October 2022. Each purchase order had over 110,000 bottles for the Product. Assuming that (i) one purchase order was made for each month for the first 9 months (i.e. 110,000 bottles x 9 months = 990,000 bottles), (ii) 2 purchase orders for the remaining 3 months (i.e. 220,000 bottles x 3 months = 660,000 bottles), there would be a total of 1,650,000 bottles for the Relevant Period for the Product.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the estimated amount of purchase for the HK Product, the Group used the sales figures for the financial year ended 31 December 2022 (i.e. 256,320 bottles) as a reference. Due to the declining trend for the HK Product, the Company conservatively took a lower figure of 235,000 bottles (i.e. approximately 91.68% of the sales figure for the year ended 31 December 2022) for determining the maximum demand for the HK Product for the financial year ending 31 December 2023. The maximum demand of 235,000 bottles is multiplied by the unit price per bottle (i.e. at 101% of the acquisition cost of the HK Product as acquired by TEI) to calculate the estimated amount of purchase for the HK Product. For the avoidance of doubt, the Group currently purchases the HK Product from Independent Third Parties. It is expected that TEI would be able to offer a better price for the HK Product to the Group, once the TEI Framework Purchase Agreement is approved at the EGM and becomes effective.

For the remaining portion of the Annual Cap, the Group allocates approximately 4.21% of the Annual Cap for the Medical and Healthcare Products (other than the Product and the HK Product).

As stated in the Board Letter, the Annual Cap for FY2023 is determined based on the potential purchase demand from the customers of EGHC. As advised by the Company, the Medical and Healthcare Products to be purchased by the Company under the TEI Framework Purchase Agreement are mainly the Product (i.e. Wong To Yick Wood Lock Ointment).

As set out in the Board Letter, the table below demonstrates the expected allocation of the Annual Cap:

| Items | Percentage for the Annual Cap |
|--|--|
| The Product | 83.33% |
| The HK Product | 12.46% |
| The Medical and Healthcare Products (other than the Product and the HK Product) | <u>4.21%</u> |
| Total | <u><u>100.00%</u></u> |

The above allocation of the Annual Cap among the Product, the HK Product and the Medical and Healthcare Product (other than the Product and the HK Product) is for illustration purposes only. The actual proportion of among the Product, the HK Product and the Medical and Healthcare Product (other than the Product and the HK Product) under the Annual Cap may be different due to unforeseeable market conditions. In any event, the total sales figures under the TEI Framework Purchase Agreement would not exceed the Annual Cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Annual Cap is calculated based on expected maximum purchase orders multiplied by the average purchase prices of for the respective Medical and Healthcare Products. Given that there was no historical sales record by the Group, the Group has relied on with the acquisition orders from TEI in determining the purchase price and quantities of the Product. Accordingly, for the purpose of exploring the market of the Product in the PRC, the Directors decided to enter the TEI Framework Purchase Agreement and propose to obtain a one-year Annual Cap. Having discussed with the Management, we noted that the Group has already received indications from some of its potential customers on their intentions to order from the Group should the Group proceeds with the sale of the Product in the PRC. These potential customers are PRC wholesalers who are willing to order from the Group in batches with quantities of around 0.11 million bottles per order. Currently, the Group expects that total quantities of 0.22 million bottles can be sold within the first two months the Group commenced its businesses under the TEI Framework Purchase Agreement. The transactions amount of the above said orders in the amount of HK\$8.89 million would take up approximately 11.1% of the proposed Annual Cap.

We have also been given to understand that, according to the discussions between the Company and TEI, TEI is expected to supply around 1.65 million bottles of the Product to the Group on the first year and the Company will also be able to utilize TEI's network for the introducing and identifying potential customers to support the Group's business in distributing the Product as the Group commence its business in the PRC.

In light of the above, we have conducted research on the TCM industry in the PRC, given that Wong To Yick Wood Lock Ointment (i.e. the Product and the HK Product), an ointment oil for wellness uses, is categorised as a type of TCM product. We understood from the 14th Five Year Plan issued by the State Council of the PRC that the PRC government has put strong emphasis on the development of TCM industry, including but not limited to, encouraging the enrichment of the supply of TCM health products. Accordingly, we expect the above will further strengthen the growth of the TCM industry and the sales of the Product.

For the remaining of the Annual Cap, we have enquired the Company and were given to understand that the expected allocation of the HK Product in the Annual Cap was principally arrived at based on the expected sales figures of the HK Products for 2022. The Company expects that the sales of the HK Product for FY2023 will be approximately HK\$9.97 million, representing approximately 12.46% of the Annual Cap. Based on the sales record provided by the Company, we noted that the Group has recorded sales of the HK Product in the amount of approximately HK\$10.28 million for the first eleven months of 2022. As discussed in the section headed "Reasons for and benefits of the TEI Framework Purchase Agreement" in this letter, the demand of the Group's HK Product has been strong as illustrated by historical quantity of sales and sourcing of the HK Product of the Group. We are of the view that the allocation of the HK Product in the Annual Cap, being close to that for the historical sales of the HK Product, is justifiable and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Company is only proposing to obtain a one year Annual Cap as there was no previous historical sales information on the Products; (ii) the business opportunities in the PRC market for the Group; (iii) the Group has identified potential purchase orders from its potential customers, (i.e. wholesalers who are willing to purchase in batches); (iv) TEI has indicated to the Company that it could introduce potential customers to the Group in the PRC; (v) the PRC government is supporting the TCM industry and encouraging the development of TCM products; and (vi) there are sufficient buffer of the Annual Cap for the HK Product and other Medical and Healthcare Products for the Group to continue to develop in the market in Hong Kong, we are of the view that the basis for the Annual Cap for FY2023 is fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the TEI Framework Purchase Agreement and the Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the TEI Framework Purchase Agreement and the Annual Cap.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 26 years of experience in corporate finance industry.

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

Directors' and chief executive's long and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Issuers were as follows:

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

| Directors/ chief executive | Nature of interest | Number of share/underlying shares held | | |
|-------------------------------|------------------------|--|--------------------------|----------------------------|
| | | Total interests | Long (L) or Short (S) | Percentage of interests |
| Wong Lik Ping | Beneficial owner | 46,600,000 | S | 2.76% |
| | Controlled Corporation | 145,500,000 (Note 1) | S | 8.62% |
| Ng Tin Shui | Interest of spouse | 163,900,000 (Note 2) | L | 9.72% |
| | Controlled Corporation | 56,570,000 (Note 3) | L | 3.35% |

Notes:

- These interests are held by Worldkin Development Limited (“**Worldkin**”) which is wholly-owned by Mr. Wong Lik Ping. Mr. Wong is therefore deemed to be interested in the shares held by Worldkin under the SFO.

2. Ms. Chi Chin is the spouse of Mr. Ng Tin Shui, Mr. Ng is deemed to be interested in 163,900,000 shares held by his spouse under the SFO.
3. These interests are held by China Food Safety Holding (Hong Kong) Company Limited (“**CFSH (HK) Co., Ltd**”), which is wholly-owned by Mr. Ng Tin Shui, Mr. Ng is therefore deemed to be interested in the shares held by CFSH (HK) Co., Ltd under the SFO.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 being the date up to which the latest published audited accounts of the Company were made.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors (i) had any interest in any assets which have been, since 31 December 2021 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) save and except Mr. Ng Tin Shui, our executive Director, in relation to the TEI Framework Purchase Agreement as disclosed in this circular, none of the other Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

| Name | Qualification |
|----------------------|--|
| Veda Capital Limited | A licensed corporation to conduct type 6 (advising on corporation finance) regulated activities under the SFO. |

Veda Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Veda Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interest in any assets which have, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MISCELLANEOUS

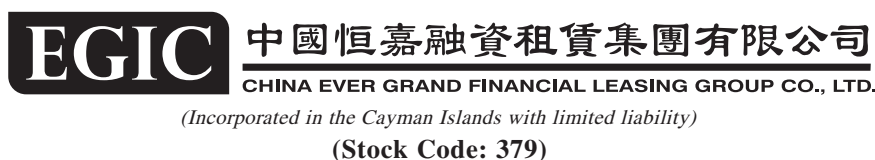
- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business in Hong Kong of the Company is situated at Room 2203, 22/F, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The secretary of the Company is Mr. Lam Koon Fai, a member of the Hong Kong Institute of Certified Public Accountants.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.egichk.com/>), for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Veda Capital Limited, the text of which is set out in this circular;
- (d) the written consent from Veda Capital Limited referred to in the section headed "Expert and Consent" in this appendix; and
- (e) TEI Framework Purchase Agreement.

NOTICE OF EGM



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Ever Grand Financial Leasing Group Co., Ltd. (the “**Company**”) will be held on Tuesday, 31 January 2023 at 11:00 a.m. at Room 2203, 22nd Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong to consider and, if thought fit, pass the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

“THAT

- (a) the TEI Framework Purchase Agreement (as defined in the circular of the Company dated 10 January 2023 relating to the continuing connected transactions (the “**CCT Circular**”), a copy of which will be produced to the meeting and marked “A” and initialed by the chairman of the EGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the relevant proposed Annual Cap in relation to such transactions for one year starting from the Effective Date (as defined in the CCT Circular) and ending on 31 December 2023 as set out in the CCT Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as he considers necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to the TEI Framework Purchase Agreement or the transactions contemplated thereunder.”

Yours faithfully,

By order of the Board

China Ever Grand Financial Leasing Group Co., Ltd.

Lai Ka Fai

Executive Director

Hong Kong, 10 January 2023

NOTICE OF EGM

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

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

Notes:

1. All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorized.
3. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 26 January 2023 to 31 January 2023 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by not later than 4:30 p.m. on 20 January 2023.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

NOTICE OF EGM

8. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company and on the website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the board of directors of the Company comprises: 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. Lo Tsun Yu, Mr. Ho Hin Yip, Mr. U Keng Tin and Mr. Leung Yiu Ming, David as Independent Non-Executive Directors.