CHINA TANGSHANG HOLDINGS LIMITED
中國唐商控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

SUPPLEMENTAL ANNOUNCEMENT
MAJOR TRANSACTION: DISPOSAL OF SUBSIDIARIES

Reference is made to the announcement (the "**Announcement**") of China Tangshang Holdings Limited (the "**Company**") dated 1 December 2020 in relation to the major transaction of the Company involving the disposal of subsidiaries. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company wishes to provide the Shareholders with additional information in relation to the Disposal:

(1) BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined by the parties to the SP Agreement after arm's length negotiation having taking into consideration the following factors:

(i) Assets and operating value of the Target Group

As disclosed in the Announcement, the net asset value of the Target Group as at 30 September 2020 was approximately HK$9.3 million, of which the Group would have a shared value of approximately HK$5.6 million by virtue of holding 60% of the interest in the Target Company. However, the net asset position of the Target Group was considered to be of least referencing value because the majority part of which was contributed by investment property by reason of the long-term leases signed by the Target Group. Upon the adoption of HKFRS 16, all leases are recognised in the consolidated statement of financial position as right-of-use/investment assets and lease liabilities, with the narrow exception for leases with low-value underlying assets or are determined as short-term leases. The value of the leases in respect of the Property has been classified as asset and liability in accordance with the applicable accounting principle, whereas the operating costs for carrying out the sub-leasing business at the Property (e.g. property maintenance fees and staff cost etc.) have not been properly reflected when assessing the liability and the value of the Target Group due to accounting treatment. As disclosed in the Announcement, the sub-leasing rate of the Property has been declining over the past year, while the Target Group still requires to maintain its spending for maintenance of the Property and its daily operations. It is noted that the operating costs for carrying out the sub-leasing business in Nanjing amounted to HK$11,135,000 for the six months ended 30 September 2020.

(ii) Business model of the Target Group

Having considered the nature of the sub-leasing business in Nanjing, the parties to the SP Agreement consider that the relevant segment adopts an asset-light business model. It is noted that upon excluding the leases classified as assets and liabilities under HKFRS 16, the net liabilities of the Target Group amounted to 12,881,000, 38,858,000 and 50,542,000 as at 31 March 2019, 31 March 2020 and 30 September 2020 respectively. As such, the Company considers that the net asset value of the Target Group does not properly reflect the value of the sub-leasing business in Nanjing, and may not be a suitable basis for determining the Consideration. The parties to the SP Agreement consider that it is more appropriate to take into consideration the loss-making position of the Target Group for the 18 months ended 30 September 2020 when determining the Consideration.

(iii) Prospect of the sub-leasing business in Nanjing

The Target Group recorded a net loss of HK$10,620,000 for the year ended 31 March 2020 and a net loss of HK$46,372,000 for the six months ended 30 September 2020 respectively. As disclosed in the Announcement, it is anticipated that the adverse market conditions for the sub-leasing business in Nanjing will continue in the near future. Having considered the deteriorating profitability and high operating costs for carrying out the sub-leasing business in Nanjing, the Company considers that the Target Group will incur more loss if the Company insists on an non-commercial Consideration for the Disposal and continues to operate the business under such adverse market conditions.

Based on the foregoing, the Board considers that the Consideration is fair and reasonable having considered that the sub-leasing business in Nanjing has been loss-making and that the Disposal can cut loss and protect the interests of the Company and the Shareholders as a whole.

(2) BASIS FOR CALCULATING THE DISPOSAL GAIN

The net asset of the Target Company was HK$9,353,000 and the equity attributable to owners of the Company was HK$5,612,000 (being 60% of HK$9,353,000). When the Target Company is disposed, there will be a release of foreign exchange reserve of HK$6,564,000 which consequently results in a gain on the Disposal of HK$1,752,000.

(3) INFORMATION ABOUT THE PURCHASER

As disclosed in the Announcement, the Purchaser, namely Iwork Trading Technology Company Limited, is a company incorporated in Hong Kong and an investor with diversified investments in Hong Kong and the PRC. To the best of the knowledge, information and belief of the Directors, the Purchaser is owned as to 100% by Nanjing Iwork Information Technology Company Limited* (南京愛沃客資訊科技有限公司), which is in turn owned as to 60% by Xing Ying (邢瑛) and 40% by Ling Mengjia (淩夢佳) as at the date of this announcement and each of the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The English transliterations of the Chinese names in this announcement, where indicated with "", are included for information purpose only, and should not be regarded as the official English names of such Chinese names.*

By Order of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 8 December 2020

As at the date of this announcement, the executive Directors are Mr. Chen Weiwu (Chairman) and Mr. Zhou Houjie; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.