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HONG KONG CHAOSHANG GROUP LIMITED

香港潮商集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

**NON-FULFILLMENT OF PROFIT GUARANTEE
IN RELATION TO
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
CHAOSHANG FINANCIAL HOLDING LIMITED**

References are made to the announcements (the “**Announcements**”) of Hong Kong ChaoShang Group Limited (the “**Company**”) dated 7 January 2019, 20 March 2019, 31 December 2019, 29 April 2022, 13 May 2022 and 9 December 2022 and the circular of the Company dated 8 May 2019 (the “**Circular**”), in relation to, among other things, the acquisition of the entire equity interest in ChaoShang Financial Holding Limited (the “**Target Company**”) and the profit guarantees provided by the Vendors. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As disclosed in the Circular, pursuant to the Sale and Purchase Agreement, each of the Vendors irrevocably and unconditionally warrants and guarantees to the Company that the Actual Profit for (i) the First Guaranteed Period (which is the year ended 31 December 2020); (ii) the Second Guaranteed Period (which is the year ended 31 December 2021); (iii) the Third Guaranteed Period (which is the financial year ending 31 December 2022) issued by the Auditors shall not be less than HK\$20,000,000, HK\$25,000,000 and HK\$30,000,000, respectively. On the contrary, if the Actual Profit is higher than the relevant Guaranteed Profit, 50% of the difference between the Actual Profit and the Guaranteed Profit for the relevant Guaranteed Period shall be shared by the Vendors. Please refer to the Circular for further information in relation to the Acquisition.

The Board hereby announces that as certified in the Third Guarantee Certificate dated 28 April 2023 issued and reported by the Auditors, an Actual Loss amounted to

approximately HK\$25,056,000 was recorded by the Target Company for the Third Guaranteed Period. The Target Company did not meet the Third Guaranteed Profit for the Third Guaranteed Period. As such, the Vendors shall pay an amount (the “**Third Guaranteed Profit Compensation**”) to the Group calculated as follows:

$$\begin{array}{rclcl} \text{Third Guaranteed} & & = & \text{Actual Loss for the} & + & \text{Third Guaranteed} \\ \text{Profit} & & & \text{Third Guaranteed} & & \text{Profit} \\ \text{Compensation} & & & \text{Period} & & \end{array}$$

where:

The Actual Loss for the Third Guaranteed Period shall be deemed as an absolute figure, which shall be in the amount of approximately HK\$25,056,000; and

The Third Guaranteed Profit shall be in the amount of HK\$30,000,000

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Third Guaranteed Profit Compensation shall be satisfied by partially setting off by the Third Retained Consideration in the amount of HK\$15,000,000. As such, the remaining balance of the Third Guaranteed Profit Compensation amounts to approximately HK\$40,056,000 (the “**Remaining Balance of the Third Guaranteed Profit Compensation**”), shall be jointly and severally payable by the Vendors to the Group in cash within seven (7) Business Days upon receipt of the Third Guarantee Certificate.

Besides, as disclosed in the Announcements, the Vendors are jointly and severally liable to the Group for the Remaining Balance of the Second Guaranteed Profit Compensation in the amount of approximately HK\$13,062,000. The Company has initiated legal proceedings against the Vendors in December 2022. Further announcement(s) will be made by the Company to provide update on the development as and when appropriate.

By order of the Board

Hong Kong ChaoShang Group Limited

Ms. Zheng Juhua

Chairlady

Hong Kong, 28 April 2023

As at the date of this announcement, the executive directors are Ms. Zheng Juhua and Mr. Chan Chi Yuen; the independent non-executive directors are Mr. Man Kwok Leung, Mr. Yu Pak Yan, Peter and Mr. Chi Chi Hung, Kenneth.