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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
REVERSE FACTORING FACILITY ARRANGEMENT**

Reference is made to the announcement of the Company dated 2 February 2016, in relation to, among other things, the Finance Lease Arrangements.

REVERSE FACTORING FACILITY ARRANGEMENT

The Board would like to announce that on 10 June 2020 (after the trading hours of the Stock Exchange), Noble Century Factoring, an indirect wholly-owned subsidiary of the Company, entered into the Reverse Factoring Business Cooperation Agreement with the Customer and the Reverse Factoring Facility Agreement with the Supplier, respectively. Under the Reverse Factoring Facility Arrangement, Noble Century Factoring agreed to provide a reverse factoring facility in a maximum factoring principal amount of RMB23,000,000 (equivalent to approximately HK\$25,159,700) to the Supplier for a period commencing from the date of the Reverse Factoring Facility Arrangement and ending on 9 June 2021, in return for the factoring interest and the transfer of Account Receivable of the Supplier due from the Customer to Noble Century Factoring.

As security for the due and punctual performance of the Customer's obligations under the Reverse Factoring Business Cooperation Agreement, on 10 June 2020, the Customer procured, and each of Guarantor A, Guarantor B, Guarantor C and Guarantor D, entered into the Guarantee A, Guarantee B, Guarantee C and Guarantee D, respectively.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement are aggregated on the basis that they are both entered into by the Group with parties connected or otherwise associated with one another, and shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement, when aggregated, is more than 5% but less than 25%, the entering into of the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement constitutes a discloseable transaction on the part of the Company under the Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 2 February 2016, in relation to, among other things, the Finance Lease Arrangements.

REVERSE FACTORING FACILITY ARRANGEMENT

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The principal terms of the Reverse Factoring Facility Arrangement are set out below:

Reverse Factoring Business Cooperation Agreement	Reverse Factoring Facility Agreement
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Date:	10 June 2020
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Parties	(i) Noble Century Factoring (as factor); and (ii) the Customer (as buyer)	(i) Noble Century Factoring (as factor); and (ii) the Supplier (as seller)
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Each of the Customer and the Supplier is a company established in the PRC with limited liability. The Customer is principally engaged in property development and trading; whereas, the Supplier is principally engaged in the building construction business. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Customer, the Supplier and their respective ultimate beneficial owner(s) is an Independent Third Party.

Reverse non-revolving credit limit:	RMB23,000,000 (equivalent to approximately HK\$25,159,700)
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Financing term:	10 June 2020 to 9 June 2021
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Factor ratio:	The factor ratio, which represents the ratio of the credit limit to the Account Receivable(s) being transferred, shall not exceed 90%
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Transfer of Account Receivable(s):	N/A	Subject to the terms and conditions of the Reverse Factoring Facility Agreement, all rights and interests under the Accounts Receivable(s) due from the Customer to the Supplier as stipulated in the underlying transaction document(s) shall be transferred to Noble Century Factoring. Noble Century Factoring has the right to review, and the sole discretion to decide whether to accept the transfer of, the Account Receivable(s).
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Payment of factoring principal amount:	The provision of factoring financing by Noble Century Factoring to the Supplier is subject to certain conditions being satisfied, including:
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- (i) the outstanding factoring principal amount not exceeding the credit limit of RMB23,000,000 (equivalent to approximately HK\$25,159,700);
- (ii) the factoring financing application form having been given before the expiry of the financing term;
- (iii) the relevant Accounts Receivable of the Supplier having been transferred to Noble Century Factoring;
- (iv) there having been no material adverse change as to the operation and financial position of the Supplier and the Customer; and

- (v) the Supplier not having failed to perform its obligations under the Reverse Factoring Facility Agreement and the Customer not having failed to perform its obligations under the Reverse Factoring Business Cooperation Agreement.

Despite the fulfilment of all conditions by the Supplier and the Customer, the provision of factoring financing to the Supplier is subject to the sole discretion of Noble Century Factoring.

The Group expects to finance the factoring principal amount by internal resources of the Group.

Factoring interest:

Factoring interest shall accrue at the fixed rate of 7% per annum, which shall be payable by the Customer to Noble Century Factoring every four calendar months after the actual date of provision of factoring financing by Noble Century Factoring to the Supplier.

The said interest rate was arrived at by the parties thereto after arm's length negotiations with reference to the following factors, (i) the prevailing commercial practice; (ii) credit assessment of the Customer and Supplier; (iii) the credit period; (iv) the Guarantees entered into in favour of Noble Century Factoring; and (v) the reasons and benefits as detailed in section headed "Reason for and Benefits of the Transaction" below.

Default interest:

150% on the fixed factoring interest rate, which shall be payable by the Customer to Noble Century Factoring (if any).

Service fee: N/A RMB1,150,000 (equivalent to HK\$1,257,985), representing 5% of the credit limit, which shall be payable in one lump sum by the Supplier to Noble Century Factoring before the provision of the factoring financing.

The service fee charged for the provision of factoring financing service was determined by the parties thereto after arm's length negotiations taking into account the prevailing commercial practice.

Repurchase: N/A Noble Century Factoring is entitled to demand the Supplier to repurchase the outstanding amount of Accounts Receivable transferred to Noble Century Factoring and repay all the outstanding sum (including the factoring principal amount, the factoring interest, the default Interest (if any) and damages) under the Reverse Factoring Facility Agreement to Noble Century Factoring by serving a notice to the Supplier if any of the following events occurs:

- (i) Noble Century Factoring being unable to receive timely payment(s) from the Account Receivable(s) due to force majeure events not caused by the Customer's credit risks;

- (ii) there being disputes in respect of the Account Receivable(s) within 180 days after the due date of the Account Receivable(s);
- (iii) any act of fraud committed by any party to the underlying contract(s) of the Account Receivable(s);
- (iv) the Supplier having failed to perform its obligation(s) under the Reverse Factoring Facility Agreement; or
- (v) the termination of the Reverse Factoring Facility Agreement.

GUARANTEES

As security for the due and punctual performance of the Customer's obligations under the Reverse Factoring Business Cooperation Agreement, on 10 June 2020, the Customer procured, and each of Guarantor A, Guarantor B, Guarantor C and Guarantor D, entered into the Guarantee A, Guarantee B, Guarantee C and Guarantee D, respectively, pursuant to which each of Guarantor A, Guarantor B, Guarantor C and Guarantor D agreed to provide an irrevocable guarantee in favour of Noble Century Factoring in respect of all payment obligations of the Customer under the Reverse Factoring Business Cooperation Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Guarantor A, Guarantor B, Guarantor C, Guarantor D and their associate(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in trading, money lending, factoring, finance leasing and financial services. Noble Century Factoring, a limited liability company established in the PRC, is principally engaged in factoring services to customers in the PRC.

The terms of the Reverse Factoring Facility Arrangement (including the credit limit, factoring interest and service fee) and the Guarantees were arrived at after arm's length negotiations between the parties thereto and are on normal commercial terms. The Directors consider that the entering into of the Reverse Factoring Facility Arrangement is in the ordinary and usual course of business of Noble Century Factoring and will provide stable revenue and cash flow stream from the factoring interest.

Since the terms of the Reverse Factoring Facility Arrangement and the Guarantees were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the Directors are of the view that such terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement are aggregated on the basis that they are both entered into by the Group with parties connected or otherwise associated with one another, and shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement, when aggregated, is more than 5% but less than 25%, the entering into of the Finance Lease Arrangements and the Reverse Factoring Facility Arrangement constitutes a discloseable transaction on the part of the Company under the Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Account Receivable(s)”	the account receivable(s) to be transferred by the Supplier to Noble Century Factoring
“associate”	has the meaning ascribed thereto under the Listing Rules
“Beijing Zhuzong Group”	北京住總集團有限責任公司 (transliterated as Beijing Zhuzong Group Company Limited [#]), being a company established in the PRC with limited liability, which is direct wholly-owned by 北京城建集團有限責任公司 (transliterated as Beijing Chengjian Group Company Limited [#]), which is in turn wholly-owned by the People’s Government of Beijing as at the date of this announcement
“Board”	the Board of Directors
“Charges”	a charge dated 2 February 2016 and executed by Guarantor C in favour of the Lessor and a charge dated 2 February 2016 and executed by Hunan Meilin Zhiye in favour of the Lessor as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Arrangements
“Company”	Hong Kong ChaoShang Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (Stock Code: 2322)

“Customer”	湖南住總家美現代服務業投資發展有限公司(transliterated as Hunan Zhuzongjiamei Modern Service Industry Investment Development Company Limited#), being a company established in the PRC with limited liability, which is owned as to 49% by Guarantor C and as to 51% by Guarantor D as at the date of this announcement
“Directors”	the directors of the Company
“Finance Lease Arrangement(s)”	transaction(s) contemplated under the Master Sale and Leaseback Agreement, the Charges, the Guarantee Letters and the relevant Schedules
“Group”	the Company and its subsidiaries
“Guarantee A”	the guarantee dated 10 June 2020 and executed by Guarantor A in favour of Noble Century Factoring for, among other things, the due and punctual performance by the Customer of its payment obligations under the Reverse Factoring Business Corporation Agreement
“Guarantee B”	the guarantee dated 10 June 2020 and executed by Guarantor B in favour of Noble Century Factoring for, among other things, the due and punctual performance by the Customer of its payment obligations under the Reverse Factoring Business Corporation Agreement
“Guarantee C”	the guarantee dated 10 June 2020 and executed by Guarantor C in favour of Noble Century Factoring for, among other things, the due and punctual performance by the Customer of its payment obligations under the Reverse Factoring Business Corporation Agreement

“Guarantee D”	the guarantee dated 10 June 2020 and executed by Guarantor D in favour of Noble Century Factoring for, among other things, the due and punctual performance by the Customer of its payment obligations under the Reverse Factoring Business Corporation Agreement
“Guarantee Letters”	three guarantee letters dated 2 February 2016 and executed by each of Guarantor A, Guarantor B and the Customer in favour of the Lessor, pursuant to which, each of Guarantor A, Guarantor B and the Customer shall provide guarantee in favour of the Lessor for, including but not limited to, the due and punctual performance by the Lessee of its payment obligations under the Finance Lease Arrangements
“Guarantees”	collectively, the Guarantee A, the Guarantee B, the Guarantee C and the Guarantee D
“Guarantor A”	喻春光(transliterated as Yu Chunguang [#]), being the brother of Guarantor B
“Guarantor B”	喻磊(transliterated as Yu Lei [#]), being the brother of Guarantor A
“Guarantor C”	湖南美林家美集團有限公司 (transliterated as Hunan Meilin Jiamei Group Company Limited [#]), being a company established in the PRC with limited liability, which is owned as to 80% by Guarantor A and as to 20% by Guarantor B as at the date of this announcement
“Guarantor D”	北京住總科貿控股集團有限公司 (transliterated as Beijing Zhuzong Science and Trade Holding Group Limited [#]), a company established in the PRC with limited liability, which is direct wholly-owned by Beijing Zhuzong Group as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hunan Meilin Zhiye”	湖南美林置業有限公司 (transliterated as Hunan Meilin Zhiye Company Limited [#]), being a company established in the PRC with limited liability, which is owned as to 80% by Guarantor A and 20% by Guarantor B, respectively, as at the date of this announcement
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Lessor”	仁瑞(深圳)融資租賃有限公司 (transliterated as Noble Century (Shenzhen) Finance Lease Company Limited [#]), being an indirect wholly-owned subsidiary of the Company
“Lessee”	湘潭市國潤招商投資有限公司 (transliterated as Xiangtan Shi Guorun Zhaoshang Investment Company Limited [#]), being a company established in the PRC with limited liability and a wholly-owned subsidiary of Guarantor C as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sale and Leaseback Agreement”	a master sale and leaseback agreement dated 2 February 2016 and entered into between Lessor and the Lessee which set out the rights and obligations between the Lessor and the Lessee in relation to each of the Finance Lease Arrangements
“Noble Century Factoring”	仁瑞(深圳)商業保理有限公司 (transliterated as Noble Century (Shenzhen) Commercial Factoring Company Limited [#]), being a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Reverse Factoring Business Cooperation Agreement”	the reverse factoring business cooperation agreement dated 10 June 2020 entered into between Noble Century Factoring and the Customer
“Reverse Factoring Facility Agreement”	the reverse factoring facility agreement dated 10 June 2020 entered into between Noble Century Factoring and the Supplier
“Reverse Factoring Facility Arrangement”	collectively, the Reverse Factoring Business Cooperation Agreement and the Reverse Factoring Facility Agreement, pursuant to which Noble Century Factoring agreed to provide a reverse factoring facility in a maximum amount of RMB23,000,000 (equivalent to approximately HK\$25,159,700) to the Supplier for a period commencing from the date of the Reverse Factoring Facility Agreement and ending on 9 June 2021, in return for the factoring interest and the transfer of Account Receivable of the Supplier due from the Customer to Noble Century Factoring
“Schedule(s)”	the transaction schedule(s) and repayment schedule(s) to be entered into between the Lessor and the Lessee, which contains, among others, the details of the subject leased assets, the leased period, the repayment terms of the rents and other monies payable by the Lessee under the relevant Finance Lease Arrangement
“Shares”	share(s) of the Company of HK\$0.02 each
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplier”	湖南正志建築工程有限公司(transliterated as Hunan Zhengzhi Construction Engineering Company Limited [#]), being a company established in the PRC with limited liability, which is owned as to 41% by 謝瑞青 (transliterated as Xie Ruiqing [#]), 23% by 彭志林 (transliterated as Peng Zhilin [#]), 14% by 胡豐年 (transliterated as Hu Fengnian [#]), 12% by 孫平章 (transliterated as Sunn Pingzhang [#]) and 10% by 楊軍 (transliterated as Yang Jun [#]), respectively, and supplier of the Customer as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Hong Kong ChaoShang Group Limited
Ms. Zheng Juhua
Chairman

Hong Kong, 10 June 2020

For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.00 to HK\$1.0939. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

[#] *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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.