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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 of Hong Kong Chaoshang Group Limited (the “**Company**”) dated 7 January 2019 (the “**Announcement**”), 20 March 2019 and 31 December 2019, 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 Announcement and 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 Actual Profit of the Target Company for the year ended 31 December 2020 was approximately HK\$26,920,000, which was higher than the First Guaranteed Profit of HK\$20,000,000. As such, the Vendors shall be entitled to the First Retained Consideration in the amount of HK\$10,000,000 in full and 50% of the difference between the Actual Profit for the year ended 31 December 2020 and the First Guaranteed Profit in the amount of approximately HK\$3,460,000 (the “**First Shared Profits**”). As at the date of this announcement, the First Retained Consideration and the First Shared Profits had not been released and paid to the Vendors.

The Board hereby announces that as certified in the Second Guarantee Certificate dated 29 April 2022 issued and reported by the Auditors, an Actual Loss amounted to approximately HK\$14,022,000 was recorded by the Target Company for the Second Guaranteed Period. The Target Company did not meet the Second Guaranteed Profit for the Second Guaranteed Period. As such, the Vendors shall pay an amount (the “**Second Guaranteed Profit Compensation**”) to the Group calculated as follows:

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

where:

The Actual Loss for the Second Guaranteed Period shall be deemed as an absolute figure, which shall be in the amount of approximately HK\$14,022,000; and

The Second Guaranteed Profit shall be in the amount of HK\$25,000,000

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Second Guaranteed Profit Compensation shall be satisfied by partially setting off by the aggregate of (i) the First Retained Consideration in the amount of HK\$10,000,000; (ii) the Second Retained Consideration in the amount of HK\$12,500,000; and (iii) the First Shared Profits in the amount of approximately HK\$3,460,000. As such, the remaining balance of the Second Guaranteed Profit Compensation amounts to approximately HK\$13,062,000 (the “**Remaining Balance of the Second Guaranteed Profit Compensation**”), which shall be jointly and severally payable by the Vendors to the Group in cash within seven (7) Business Days upon receipt of the Second Guarantee Certificate, i.e. on or before 12 May 2022.

The Board has informed the Vendors in relation to the shortfall of the Second Guaranteed Profit and requested for the payment of the Remaining Balance of the Second Guaranteed Profit Compensation to the Group on or before 12 May 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, 29 April 2022

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.