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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

Reference is made to the annual report dated 29 June 2023 (the “Annual Report”) of Hong Kong ChaoShang Group Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 March 2023. Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Annual Report.

The Board would like to provide the following additional information in relation to its money lending, factoring and finance leasing businesses (collectively, the “Lending Businesses”).

INTERNAL CONTROL MEASURES

In addition to minimising the risks of the Lending Businesses by restricting the Group’s source of funds to its internally generated cash resources, the Group has appointed (i) the directors and senior management personnel of the Subsidiaries whom are in charge of each of the Lending Businesses (the “Management Teams”) and are responsible for the credit assessment, granting of and supervision of loans; and (ii) the Board whom are responsible for overseeing the Lending Businesses in general. Each of the Management Teams have vast experiences and knowledge in the industries.

Notwithstanding the nature of the loans granted under the Lending Businesses, the internal control measures are in general very similar to each other. Each loan application must go through three stages before granting to the borrower, namely (i) document collection and verification; (ii) credit risk assessment; and (iii) approval. The following is a summary of procedures the Group conducts on potential clients

assessment.

- i. identity checks must be performed on potential clients and the ultimate beneficial owner(s) of the potential clients by obtaining, including but not limited to, constitution documents, business registrations, identity cards or passports;
- ii. background checks must be performed by understanding the business operations, occupation and employment, the source and origin of funds and obtaining address proof of the potential clients, which included utility bills, bank/credit card statements or formal correspondence issued by either a governmental department or statutory body;
- iii. repayment ability of potential clients must be assessed through their financial statements, assets portfolio (e.g. properties held) and the related leverage level, liquidity condition, bankruptcy or winding up or litigation searches, media and news searches, past payment record (where applicable) and any other available information to evaluate their repayment ability;
- iv. check the availability of guarantor(s), if any; and
- v. in case of security being provided as collateral for the loan, the validity, title and value of the security must be assessed.

Furthermore, guarantors who provide personal/corporate guarantee in favour of a loan, where applicable, are also required to meet the same basic eligibility and approval criteria as the borrower of loans, and will be required to go through the same verification and approval procedures.

After credit assessment, with the terms determined (having taken into consideration factors such as the credit quality of the clients, their recoverability and the prevalent market interest rates), loan documents will be prepared and the loans will be recommended for the Management Teams' review and approval. The Management Teams will monitor on a continued basis the credit quality of such loans and may require other credit enhancement measures from the borrowers from time to time.

The Management Teams are primarily responsible for the approval of loans by considering whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, the Management Teams shall report to the Board for their consideration if such loan transaction constitutes a discloseable transaction or above by assessment of size tests under Chapter 14 of the Listing Rules or involves connected person(s) as defined under Chapter 14A of the Listing Rules.

The Management Teams conduct regular review and carry out follow up actions on a continuing basis in respect of overdue amounts to minimise the Group's exposure to credit risk and follows up closely with its clients as to the repayment deadlines. An aging analysis of the borrowers is prepared and reviewed on a monthly basis.

As for loan collection, in case of any minor defaults, the Management Teams shall

send reminders and/or demand letters to its clients. In case the default persists, the Group may engage lawyers to advise on the recovery and take out enforcement actions as and when appropriate.

SIZE AND DIVERSITY OF CLIENTS AND CONCENTRATION ON MAJOR CLIENTS

In order to diversify the clients and lower the concentration of our loan portfolio, our portfolio include corporations from different industries such as hotel management, real estate, medical beauty, computer software and trading and individuals. As at 31 March 2023, the Group's Lending Businesses has 23 clients with outstanding balances from different types of loans and fell within the following bands:

Types of loans	Number of loans
Finance leases	6
Factoring loans	2
Corporate loans	7
Personal loans	8
	23
	23
Outstanding balances of loans	Number of loans
Less than HK\$5,000,000	6
HK\$5,000,001 – HK\$10,000,000	7
HK\$10,000,001 – HK\$20,000,000	4
Above HK\$20,000,001	6
	23
	23

As at 31 March 2023, the top five clients constituted approximately 47% of the total outstanding balances of the Group's loan portfolio of the Lending Businesses.

PROVISION OF EXPECTED CREDIT LOSSES OF OUTSTANDING LOANS

The provision of expected credit losses for outstanding loans from the Lending Businesses was approximately HK\$6,669,000 for the current year whilst it was approximately HK\$20,161,000 in the last corresponding year. As disclosed in the Company's annual report for the year ended 31 March 2022, certain customers were affected by the COVID-19 epidemic and its rebounds and hence defaulted in repayment of the loans on schedules, the Group, consistent with the basis in the previous years, provided for an increase in expected credit loss for the year ended 31 March 2022. During the current year, as the effects of the epidemic began to subside and there were normalization measures introduced by the PRC and Hong Kong in the beginning of 2023, the Group regarded that the level of provision is sufficient for its customers, and hence the amount provided for during the year recorded a decrease as compared with the last corresponding year.

GENERAL

The information contained in this supplemental announcement does not affect any other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

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

Hong Kong, 18 August 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.