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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 2022

Reference is made to the annual report dated 28 June 2022 (the “Annual Report”) of Hong Kong ChaoShang Group Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 March 2022. 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”).

BUSINESS MODELS OF MONEY LENDING AND FACTORING BUSINESSES

Apart from engaging in finance leasing business, the Group also engages in the provision of money lending and factoring businesses through its wholly-owned subsidiaries (the “Subsidiaries”) in Hong Kong and the PRC with the aim of increasing the return of capital of the Group and to generate revenue for the shareholders (the “Shareholders”) of the Company under acceptable and controllable levels of risk. In order to minimise risks, the Group currently restricts its source of funds to its internally generated cash resources.

The Group offers factoring loans on trade receivables in the PRC with initial terms of not more than 6 months and sizes ranging from RMB10 million to RMB20 million in general. The financing purpose of the Group’s clients is principally for their operation requirements.

The Group also offers corporate and personal loans in Hong Kong and the PRC to well-established businesses and affluent individuals of occupations ranging from executives, businessmen and professionals. As at 31 March 2022, the loan portfolio consists of loans with initial terms generally ranging from 1 to 3 years and outstanding balances of approximately HK\$5 million to HK\$30 million which are principally for the development and expansion of their businesses and their corporate and personal needs.

The Group currently has no specific target client group. Clients are generally solicited through (i) our Management Teams; (ii) direct approaches from clients; and (iii) referral from existing clients.

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. Collaterals and guarantors would be obtained from the clients as appropriate on a case-by-case basis by considering the background, repayment ability and credit worthiness of the potential clients with the above procedures as a whole. While the Group aims to have securities over the loans granted in accordance with the industry practice and in compliance with the relevant regulations, if applicable, unsecured loans may also be granted which is considered by the Group as a balance of our product-mix and part of our portfolio of the Lending Businesses. Nevertheless, the Group is conservatively prudent and would detailly assess the creditworthiness of the unsecured loans including but not limited to the inspection of asset title certificates, tax returns, bank statements, financial statements and auditor's reports (where applicable) to assess the clients' asset portfolio, leverage level and liquidity conditions before 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 2022, the Group's Lending Businesses has 23 clients with outstanding balances

fell within the following bands:

Outstanding balances of loans	Number of loans
Less than HK\$5,000,000	6
HK\$5,000,001 – HK\$10,000,000	10
HK\$10,000,001 – HK\$20,000,000	2
Above HK\$20,000,001	5
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As at 31 March 2022, the top five clients constituted approximately 54% of the total outstanding balances of the Group's loan portfolio of the Lending Businesses.

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, 8 November 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.