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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 INVOLVING FINANCE LEASE ARRANGEMENTS

THE FINANCE LEASE ARRANGEMENTS

Reference is made to the announcement of the Company dated 18 April 2019, in relation to, among other things, the Finance Lease Arrangement I involving the provision of Consideration I of RMB33,000,000 (equivalent to approximately HK\$36,402,300) by the Lessor, being an indirect wholly-owned subsidiary of the Company, to the Lessee.

The Board would like to announce that on 16 April 2020 (after the trading hours of the Stock Exchange), the Lessor and the Lessee entered into the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II at the Consideration II of RMB29,000,000 (equivalent to approximately HK\$31,989,900) for the Leased Assets II.

As security for the due and punctual performance of the Lessee's obligations under the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II, on 16 April 2020 (after the trading hours of the Stock Exchange), the Lessee has procured and each of the Guarantor A and the Guarantor B has executed the Guarantee Letter IIA and the Guarantee Letter IIB in favour of the Lessor, respectively.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Finance Lease Arrangement I and the Finance Lease Arrangement II are aggregated on the basis that they are both entered into by the Lessor with the same Lessee, 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 Arrangement I and the Finance Lease Arrangement II, when aggregated, is more than 5% but less than 25%, the entering into of the Finance Lease Arrangement I and the Finance Lease Arrangement II 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE FINANCE LEASE ARRANGEMENT I

Reference is made to the announcement of the Company dated 18 April 2019, in relation to, among other things, the Finance Lease Arrangement I involving the provision of Consideration I of RMB33,000,000 (equivalent to approximately HK\$36,402,300) by the Lessor, being an indirect wholly-owned subsidiary of the Company, to the Lessee. As at the date of this announcement, the Lessee had repaid in full the principal amount, the interest accrued thereon and all other monies payable (including the Buyback Fee I) under the Finance Lease Arrangement I.

THE FINANCE LEASE ARRANGEMENT II

The Board would like to announce that on 16 April 2020 (after the trading hours of the Stock Exchange), the Lessor and the Lessee entered into the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II at the Consideration II of RMB29,000,000 (equivalent to approximately HK\$31,989,900) for the Leased Assets II.

THE MASTER SALE AND LEASEBACK AGREEMENT II AND THE SALE AND PURCHASE AGREEMENT II

The principal terms of the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II are set out below:

Date: 16 April 2020

Parties: (1) the Lessor; and
(2) the Lessee

The Lessee is a company established in the PRC with limited liability and principally engaged in hotel management business in the PRC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Lessee and its ultimate beneficial owner(s) is an Independent Third Party.

Consideration

The Consideration II, being the amount of consideration to be paid by the Lessor to the Lessee for the Leased Assets II shall be in the sum of RMB29,000,000 (equivalent to approximately HK\$31,989,900). The Consideration II shall bear an interest rate of 8.5% per annum.

Pursuant to the terms and conditions of the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II, the Consideration II shall be settled within seven (7) days from the date on which the conditions contained therein are fulfilled, including but not limited to, (i) the delivery of the duly executed Master Sale and Leaseback Agreement II, the Sale and Purchase Agreement II and the Guarantee Letters II by the Lessee to the Lessor; (ii) the valuation of the Leased Assets II having been issued by the valuer approved by the Lessor; (iii) the Lessee having paid the Deposit II and other expenses; and (iv) the Lessee having arranged insurance for the Leased Assets II in favour of the Lessor as the sole beneficiary and the Lessor having received the relevant original insurance documents for the same.

The Group expects to finance the Consideration II by internal resources of the Group.

The Consideration II was arrived at after arm's length negotiation between the Group and the Lessee with reference to the following factors, (a) taking the Finance Lease Arrangement II as a whole, the Consideration II was in effect the principal amount of the loan to be advanced by the Lessor to the Lessee, with the Leased Assets II as collateral; and (b) the reasons and benefits as detailed in the paragraph headed "Reasons for and Benefits of the Finance Lease Arrangement II" below.

Repayment

The Lessee shall repay the Lessor the full amount of the Consideration II and the interest accrued thereon by twelve (12) monthly installments, of which:

- (i) the first, second, fourth, fifth, seventh, eighth, tenth and eleventh installments shall be RMB205,417 (equivalent to approximately HK\$226,595) each;
- (ii) the third, sixth and ninth installments shall be RMB2,205,417 (equivalent to approximately HK\$2,432,795) each; and
- (iii) the twelfth installment shall be RMB23,205,417 (equivalent to approximately HK\$25,597,895).

Sale and leaseback of the leased assets and the obligations of the Lessee

Pursuant to the terms and conditions of the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II, the Lessor shall buy and the Lessee shall sell the Leased Assets II at the consideration of RMB29,000,000 (equivalent to approximately HK\$31,989,900) and the Lessor shall then lease back the Leased Assets II to the Lessee for a lease period of one (1) year commencing from the date on which the Consideration II is made to the Lessee.

The Lessee shall have the discretion in determining, and therefore be responsible for, the accuracy and completeness of the details of the Leased Assets II, including but not limited to the name, specification, model, quality, quantity, technology standard, technology warranty, price and delivery time.

The Leased Assets II are principally comprised of furniture and equipment for hotel business (the “**Leased Assets II**”). As at 25 February 2020, the Leased Assets II were valued by an independent professional valuer at approximately RMB35,034,970 (equivalent to approximately HK\$38,647,075) on a cost approach.

Lease consideration

In consideration of the finance lease service provided by the Lessor under the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II, the Lessee shall pay the Lessor the relevant rents and other monies payable under the Finance Lease Arrangement II. The obligations of the Lessee to pay the relevant rents and other monies payable under the Finance Lease Arrangement II shall be absolute and unconditional, which shall not be subject to any deduction, setoff or conditional upon any other conditions.

The Lessor shall have the right to charge default interest on the due and unpaid amount of the rents or other monies outstanding under the Finance Lease Arrangement II at 0.06% per day, calculated from the date on which such amount become due and unpaid and up to the date on which such amount is fully settled. If the relevant payment is overdue for more than 15 days, the Lessor has the right to unilaterally terminate the Master Sale and Leaseback Agreement II.

Deposit

The Lessee shall pay a deposit (the “**Deposit II**”) of RMB2,000,000 (equivalent to approximately HK\$2,206,200), on the date on which the Consideration II is made to the Lessee. If no default is committed by the Lessee, the Lessor shall return the Deposit II to the Lessee within seven (7) Business Days after the expiry of the lease period under the Finance Lease Arrangement II.

Handling fee

The Lessee shall pay a handling fee (the “**Handling Fee II**”) of RMB580,000 (equivalent to approximately HK\$639,798), being an amount equal to 2% of the Consideration II, on the date on which the Consideration II is made to the Lessee. The Handling Fee II is non-refundable in any event.

Early termination

The Lessee may, by serving a thirty (30) days' prior written notice to the Lessor and upon obtaining the written consent from the Lessor, terminate the Finance Lease Arrangement II, provided that the Lessee has repaid in full the following sums five (5) days before the next repayment date after the date of written consent issued by the Lessor:

- (i) a termination fee of the Finance Lease Arrangement II, being 105% of the then outstanding principal amount of the rents, whether or not due and payable, as at the termination date of the Finance Lease Arrangement II;
- (ii) a buyback fee in the amount of RMB10,000 (equivalent to approximately HK\$11,031) (the "**Buyback Fee II**");
- (iii) all default interest (if any); and
- (iv) any other monies payable by the Lessee.

Subject to the above repayments having been made by the Lessee to the Lessor, upon the termination of the Finance Lease Arrangement II, the ownership of the Leased Assets II shall pass to the Lessee on an "as is" basis. Pursuant to the terms and conditions of the Master Sale and Leaseback Agreement II, the Lessor shall not provide any undertaking or warranty to the Lessee, and shall not be responsible for the physical delivery of the Leased Assets II. For the avoidance of doubt, the Lessor has no right to terminate the Master Sale and Leaseback Agreement II prior to the end of the lease period of the Finance Lease Arrangement II without the mutual consent from the Lessor and the Lessee.

Legal ownership and the use of the leased assets

During the lease period of the Finance Lease Arrangement II, the Lessor shall have the legal ownership of the Leased Assets II and the Lessee shall have the right to possess, use and income from the Leased Assets II.

Compensation

In the event that the Leased Assets II cause any personal injuries and/or financial losses on third parties, the Lessor shall not be liable therefor and the Lessee shall fully indemnify the Lessor for any claims, losses and/or costs in relation thereto.

Risk

The Lessee shall, during the term of the Master Sale and Leaseback Agreement II, take all risks in relation to the Leased Assets II.

If the Leased Assets II are damaged (save for normal wear and tear), lost, confiscated, seized, expropriated, or unusable, the Lessee shall immediately notify the Lessor and be responsible for the repair or replacement thereof and the costs incurred thereunder. The payment obligations of the Lessee under the Finance Lease Arrangement II shall not be affected in the aforementioned circumstances.

If the Leased Assets II suffer total loss, the Lessee shall pay to the Lessor immediately (i) the rents due and payable, the rents not yet due and payable, the default interest, the default payment (being an amount equal to 20% of the rents due and unpaid, default interest, Buyback Fee II and rents not yet due and payable) and damages; (ii) the Buyback Fee II; and (iii) any other monies payable by the Lessee. Immediately upon receiving the above payments, the finance lease arrangement shall be terminated, the ownership of the Leased Assets II shall automatically pass to the Lessee on an "as is" basis, and all the Lessee's obligations thereunder shall be absolutely discharged and released in all aspects.

Insurance

During the lease period of the Finance Lease Arrangement II and for the three (3) months immediately after the expiry of the same, the Lessee shall keep the Leased Assets II insured and responsible for all costs incurred, with the Lessor being named as the first beneficiary.

Transfer

Without prior written consent of the Lessor, (i) the Lessee shall not dispose of, transfer, sub-let, lend, mortgage, invest or take other actions which may affect the legal ownership of the Lessor; and (ii) the Lessee or any third parties shall not exercise a lien over the Leased Assets II.

Default

If the Lessee defaults, or the Lessor requests to terminate the Finance Lease Arrangement II due to the fault of the Lessee, the Lessor shall be entitled to, among others, (i) forfeit the Deposit II and demand repayment of all outstanding rents and other monies, whether it has become due and payable by the Lessee; (ii) terminate the Finance Lease Arrangement II forthwith and take possession of or prohibit the Lessee from using the Leased Assets II; and (iii) claim for compensation for any losses or costs incurred against the Lessee.

In the event that the Lessee defaults and the Leased Assets II are sold or disposed of by the Lessor, all proceeds arising thereof shall first be applied towards the settlement of the costs and expenses incurred by the Lessor in taking possession of, the sale of and/or the disposition of the Leased Assets II, followed by the settlement of all outstanding amount due from the Lessee under the Finance Lease Arrangement II, and lastly any other outstanding monies payable. In the event that such proceeds are insufficient to cover the above amounts, the Lessee is contractually obliged to compensate for the shortfall.

Guarantee

During the term of the Master Sale and Leaseback Agreement II, in the event that there is, among others, impairment on the creditworthiness of the guarantor(s), the Lessor is entitled to request and the Lessee shall substitute the guarantee with a new guarantor or provide other security as approved and/or accepted by the Lessor.

Option upon the expiry of the lease period

Upon the expiry of the lease period of, and the Lessee's fulfilment of all its obligations under, the Finance Lease Arrangement II, the Lessee may elect to, among others, (i) return the Leased Assets II to the Lessor in complete and good condition (save for normal wear and tear); (ii) buy back the Leased Assets II; or (iii) extend the lease period. In the event that the Lessee elects to return the Leased Assets II, the Lessee should return the Leased Assets II to the Lessor at its own expenses and warrant the complete and good condition of the same (save for normal wear and tear). In the event that the Lessee elects to buy back the Leased Assets II, the Lessee shall pay the Lessor the Buyback Fee II, and the Lessor shall pass the ownership of the Leased Assets II to the Lessee on an "as is" basis. In the event that the Lessee elects to extend the lease period, the Lessee shall notify the Lessor in writing within 30 days prior the expiry date of the lease period and extend the lease period pursuant to the relevant terms and conditions set out in a supplemental agreement to be entered into.

GUARANTEE LETTERS II

As security for the due and punctual performance of the Lessee's obligation under the Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II, on 16 April 2020 (after trading hours of the Stock Exchange), the Lessee has procured and each of the Guarantor A and the Guarantor B has executed the Guarantee Letter IIA and the Guarantee Letter IIB in favour of the Lessor, respectively.

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

Guarantee

Pursuant to the terms of the Guarantee Letters II, each of the Guarantor A and the Guarantor B 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 Arrangement II.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT II

The Group is principally engaged in trading, money lending, factoring, finance leasing and financial services. The Lessor is a limited liability company established in the PRC and principally engaged in the provision of financing services to its customers in its ordinary and usual course of business.

The terms of the Finance Lease Arrangement II were arrived at after arm's length negotiations among the Lessor, the Lessee and/or the Guarantors. Since the terms of the Master Sale and Leaseback Agreement II, the Sale and Purchase Agreement II and the Guarantee Letters II reflect the normal commercial terms of transactions of this nature and can provide the Group with stable revenue and cashflow stream from the interest received and the Finance Lease Arrangement II is in the ordinary and usual course of business of the Group, the Directors consider that they 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 Arrangement I and the Finance Lease Arrangement II are aggregated on the basis that they are both entered into by the Lessor with the same Lessee, 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 Arrangement I and the Finance Lease Arrangement II, when aggregated, is more than 5% but less than 25%, the entering into of the Finance Lease Arrangement I and the Finance Lease Arrangement II 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in the PRC are generally open for business throughout their normal business hours
“Buyback Fee I”	a buyback fee in the amount of RMB10,000 (equivalent to approximately HK\$11,031) under the Finance Lease Arrangement I
“Buyback Fee II”	has the meaning ascribed thereto in the paragraph headed “Early termination” under the section “The Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II” in this announcement
“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)
“Consideration I”	an amount of RMB33,000,000 (equivalent to approximately HK\$36,402,300) advanced by the Lessor to the Lessee by way of payment of the consideration for the Leased Assets I to the Lessee pursuant to the terms and conditions of the Finance Lease Arrangement I

“Consideration II”	an amount of RMB29,000,000 (equivalent to approximately HK\$31,989,900) to be advanced by the Lessor to the Lessee by way of payment of the consideration for the Leased Assets II to the Lessee pursuant to the terms and conditions of the Finance Lease Arrangement II
“Deposit II”	has the meaning ascribed thereto in the paragraph headed “Deposit” under the section “The Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II” in this announcement
“Directors”	the directors of the Company
“Finance Lease Arrangement I”	transactions contemplated under the Master Sale and Leaseback Agreement I, the Sale and Purchase Agreement I and the Guarantee Letters I
“Finance Lease Arrangement II”	transactions contemplated under the Master Sale and Leaseback Agreement II, the Sale and Purchase Agreement II and the Guarantee Letters II
“Finance Lease Arrangements”	collectively, the Finance Lease Arrangement I and the Finance Lease Arrangement II
“Group”	the Company and its subsidiaries
“Guarantee Letter IA”	a guarantee letter dated 18 April 2019 and executed by the Guarantor A in favour of the Lessor, pursuant to which, the Guarantor A 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 Arrangement I

“Guarantee Letter IB”	a guarantee letter dated 18 April 2019 and executed by the Guarantor B in favour of the Lessor, pursuant to which, the Guarantor B 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 Arrangement I
“Guarantee Letters I”	collectively, the Guarantee Letter IA and the Guarantee Letter IB
“Guarantee Letter IIA”	a guarantee letter dated 16 April 2020 and executed by the Guarantor A in favour of the Lessor, pursuant to which, the Guarantor A 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 Arrangement II
“Guarantee Letter IIB”	a guarantee letter dated 16 April 2020 and executed by the Guarantor B in favour of the Lessor, pursuant to which, the Guarantor B 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 Arrangement II
“Guarantee Letters II”	collectively, the Guarantee Letter IIA and the Guarantee Letter IIB
“Guarantor A”	深圳市皇庭集團有限公司(transliterated as Shenzhen Wongtee Group Company Limited [#]), being a company established in the PRC with limited liability, and owned as to 99.9% by 鄭康豪 (transliterated as Zheng Kanghao [#]) and 0.01% by 深圳市皇庭投資控股有限公司(transliterated as Shenzhen Wongtee Investment Holdings Company Limited [#]), which is a company direct wholly-owned by Zheng Kanghao, as at the date of this announcement

“Guarantor B”	惠州大亞灣皇庭房地產開發有限公司(transliterated as Huizhou Daya Bay Wongtee Real Estate Development Company Limited [#]), being a company established in the PRC with limited liability and owned as to 99% by Guarantor A and 1% by 深圳市皇庭投資管理有限公司(transliterated as Shenzhen Wongtee Investment Management Company Limited [#]), which is a direct wholly-owned subsidiary of Guarantor A, as at the date of this announcement
“Guarantors”	collectively, Guarantor A and Guarantor B
“Handling Fee II”	has the meaning ascribed thereto in the paragraph headed “Handling Fee” under the section “The Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Leased Assets I”	the subject leased assets principally comprised of furniture and equipment for hotel business under the Finance Lease Arrangement I
“Leased Assets II”	has the meaning ascribed thereto in the paragraph headed “Sale and leaseback of the leased assets and the obligations of the Lessee” under the section “The Master Sale and Leaseback Agreement II and the Sale and Purchase Agreement II” in this announcement

“Lessee”	深圳市皇庭酒店管理有限公司(transliterated as Shenzhen Wongtee Hotel Management Company Limited [#]), being a company established in the PRC with limited liability and direct wholly-owned by Guarantor A as at the date of this announcement
“Lessor”	仁瑞(深圳)融資租賃有限公司 (transliterated as Noble Century (Shenzhen) Finance Lease Company Limited [#]), being a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sale and Leaseback Agreement I”	a master sale and leaseback agreement dated 18 April 2019 and entered into between the Lessor and the Lessee which set out the rights and obligations between the Lessor and the Lessee in relation to the Finance Lease Arrangement I
“Master Sale and Leaseback Agreement II”	a master sale and leaseback agreement dated 16 April 2020 and entered into between the Lessor and the Lessee which set out the rights and obligations between the Lessor and the Lessee in relation to the Finance Lease Arrangement II
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Sale and Purchase Agreement I”	the sale and purchase agreement dated 18 April 2019 and entered into between the Lessor and the Lessee in relation to the sale and purchase of the Leased Assets I
“Sale and Purchase Agreement II”	the sale and purchase agreement dated 16 April 2020 and entered into between the Lessor and the Lessee in relation to the sale and purchase of the Leased Assets II

“Share(s)”	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
“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, 16 April 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\$1.1031. 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.