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**CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED**

**周生生集團國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**Stock code: 116**

## **COMMENCEMENT OF LEGAL PROCEEDINGS BY THE GROUP**

This announcement is made by Chow Sang Sang Holdings International Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **COMMENCEMENT OF LEGAL PROCEEDINGS BY THE GROUP**

#### **Background**

References are made to the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”).

In 2016, Chow Sang Sang Securities Limited (“**CSSSL**”), an indirect wholly owned subsidiary of the Company, appointed a third party (the “**Introducer**”) as an introducer to refer customers for CSSSL’s securities services. Pursuant to the relevant agreement, fees would be payable by CSSSL to the Introducer in respect of their referrals after, among others, the referred customers have duly paid the applicable fees for CSSSL’s securities services.

Securities services provided by CSSSL include provision of margin facilities, where the relevant customers will be requested to provide collaterals and guarantees (where appropriate) as security for their margin loans.

\* *For identification purpose only*

Some of the customers referred by the Introducer (the “**Default Customers**”) defaulted on the payment of commission fees and margin facility interests and/or the repayment of margin loans owed to CSSSL in accordance with the relevant client agreements. As at 31 January 2021, the total outstanding sum due and owing from the Default Customers amounted to approximately HK\$797,321,000 (the “**Outstanding Sum**”). The relevant collaterals from the Default Customers (the “**Collaterals**”) consist of shares listed on The Stock Exchange of Hong Kong Limited. CSSSL also paid approximately HK\$20,018,000 to the Introducer, allegedly as fees in respect of the Default Customers (the “**Introducer Fees**”).

As disclosed in the 2019 Annual Report and the 2020 Interim Report, the total credit loss allowance on such receivables amounted to approximately HK\$445,668,000 as at 31 December 2019 and 30 June 2020.

### **Commencement of Legal Proceedings**

CSSSL issued legal demand letters to the Default Customers and their respective guarantors demanding the repayment of the respective amounts then owed in March 2020 and to the Introducer demanding the refund of the Introducer Fees in December 2020. The Default Customers, their respective guarantors and the Introducer have failed to repay as demanded.

In order to safeguard the legitimate rights and interests of the Group, CSSSL has initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong by issuing writs of summons on 1 February 2021 against the Default Customers and their respective guarantors for the repayment of the Outstanding Sum and against the Introducer for the refund of the Introducer Fees respectively (the “**Litigations**”).

Further announcement(s) would be made on any material developments in connection with the Litigations as and when appropriate.

**The outcomes of the Litigations, the recoverability of the Outstanding Sum and the Introducer Fees and the realisability of the Collaterals are subject to risks and uncertainty. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Chow Sang Sang Holdings International Limited**  
Morison CHAN Chi Kong  
*Company Secretary*

Hong Kong, 1 February 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing; the Non-executive Directors are Mr. Stephen TING Leung Huel and Mr. CHUNG Pui Lam; and the Independent Non-executive Directors are Dr. CHAN Bing Fun, Mr. LEE Ka Lun, Dr. LO King Man and Mr. Stephen LAU Man Lung.