SFUND
广州基金

SFUND INTERNATIONAL HOLDINGS LIMITED

廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

DECISION OF THE LISTING REVIEW COMMITTEE AND SUSPENSION OF TRADING

This announcement is made by SFund International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to the Rule 13.09 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 26 April 2020, 27 April 2020, 5 May 2020, 9 October 2020 and 19 October 2020 (the "**Announcements**") in respect of, among other things, the decisions of the Listing Division and the Listing Committee that the Company failed to comply with Rule 13.24 of the Listing Rules and the Company's written request for a review by the Listing Review Committee of the Stock Exchange (the "**Listing Review Committee**"). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

DECISION OF THE LISTING REVIEW COMMITTEE

The Company requested for a review of the decision made by the Listing Committee (the "**LC Decision**") on 9 October 2020 and the review hearing of the LC Decision by the Listing Review Committee was held on 26 January 2021. On 5 February 2021, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having carefully considered all the facts and evidence, and all submissions presented by the Company and the Listing Division, decided to uphold the LC Decision to suspend trading in the shares of the Company (the "**Shares**") under Rule 6.01(3) of the Listing Rules on the ground that the Company had failed to comply with Rule 13.24 of the Listing Rules.

The Listing Review Committee arrived at its decision for the following reasons:

1. Under Rule 13.24 "an issuer must carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities". From the guidance given in Guidance Letter HKEX-GL106-19 ("**GL106-19**") a business which would be considered not to have a viable and sustainable business which meets the requirements of Rule 13.24(1) is one that "maintains a very low level of operating activities and revenue, raising an issue that the size and prospect of the issuer do not appear to justify the cost or purpose associated with a public listing". Further, "the current scale of [the issuer's] operation does not represent a temporary downturn, as the issuer's business has been operating at a very small scale and incurring losses for years".

2. In assessing the operations of an issuer, businesses with little or no substance should be considered as not having a viable and sustainable business to comply with Rule 13.24(1). These would include businesses which rely on a limited number of transactions or customers, have very low barriers of entry and can be discontinued without significant cost. The examples of this kind of business that are given in GL106-19 are a money lending business and an indent trading business.

3. Rule 13.24 sets out two requirements, both of which are required to be met, in order to comply with the Rule: sufficient operations and sufficient assets. The issuer is, therefore, required to demonstrate that "it has sufficient assets to support an operation that generates sufficient revenue and profits to warrant a continued listing". An indication, but not necessarily a conclusive indication, of insufficient assets would be an issuer with a net liabilities position.

4. In assessing the sufficiency of operations of an issuer, the Listing Review Committee considered that the primary analysis should be on the past and present operations of the issuer and, in taking into account the future prospects and performance of these operations, the analysis needs to be supported by a credible business plan and be able to demonstrate the active steps management has taken to achieve this and, where appropriate, the actual contractual arrangements entered into to achieve this. Vague or preliminary arrangements are unlikely on their own to be sufficient evidence of a return to viability.

5. In the case of the Company at the time of the hearing it had four business activities. Two of these, the Company's Money Lending Business and its Securities Investment Business, ought to be excluded from consideration by application of the provisions and principles of Rule 13.24 and GL106-19. However and in any event, it is highlighted that the Company admitted that the Money Lending Business was being wound down and that its only outstanding loan of HKD40 million was in default and efforts were being made to collect the outstanding debt. For the period under review it was also to be noted that the only securities investment within the Securities Investment Business of the Company was an investment in a Hong Kong listed company which had lost over 90% of its original investment cost. This effectively left just two businesses of the Company to demonstrate the sufficiency of the Company's operations: the Apparel Trading Business and the Financial Services Business.

6. The Apparel Trading Business constituted the principal business of the Company when its original founder sold his majority interest in the Company in 2016. In that financial year its revenues were some HKD365.6 million and it generated a positive contribution to the Company's results. Since then its operations had steadily declined following the loss of most of its major customers. While the Company claimed that the COVID pandemic had caused considerable difficulties to its operations and undoubtedly restrictions on travel must have had an impact, the steep decline in its revenues was evident long before the pandemic. In the FY2020, revenues were expected to be less than HKD7 million and, as in every financial year since 2016, the Apparel Trading Business had failed to generate any funds to support the Company's corporate costs. In light of the declining performance of the business, the Company proposed to restructure it by laying off a majority of its employees and selling loss-making companies. While, the Company was insistent that it would continue to operate its Apparel Trading Business, it did not appear to the Listing Review Committee that the Company had any concrete proposals to reverse the decline and restore the business to profitability or to a sufficient size to make a meaningful contribution to the Company.

7. The Financial Services Business had been part of the Company's operations since 2017 and had been primarily engaged in the management of eight funds, which at the time of the hearing had reduced to five funds, with the Company's revenues dependent largely on management fees from these funds. In 2019, the Company had to write off management fees which it had previously accrued in its accounts of some HKD10 million. If adjustment were made for this, in four years of operation this business had generated less than HKD10 million in revenues and in its latest full financial year it was forecast to generate revenues of less than HKD600,000. It was quite apparent to the Listing Review Committee that at the time of the hearing this was an insubstantial business which did not make a positive contribution to the Company and was a drain on its resources. During 2020, the Company had entered into a number of framework agreements or letters of intent to establish a number of investment funds, but none of these arrangements had resulted in any definitive agreements and there was no certainty that these arrangements would generate any significant revenues for the Company. In these circumstances, the Company had failed to demonstrate that this was a viable business with sufficient operations to comply with Rule 13.24.

8. The Company also emphasised that its recent investment of RMB20 million as a limited partner in a pig farming business was indicative of the steps it was taking to increase its investment, which the Listing Review Committee considered did not significantly support the Company's efforts to enlarge its business operations under its own management to a sufficient size and profitability to meet the requirements of Rule 13.24.

9. The Company also informed the Listing Review Committee that it was exploring a number of substantial acquisitions which would transform its business. It also outlined in oral submissions its plans for a debt-for-equity swap (i.e. the debt restructuring). Again, these proposals were at a very preliminary stage and could not seriously be considered as factors which could demonstrate that the Company had sufficient operations as at the time of the hearing. These prospective transactions would also likely constitute reverse takeovers under the Listing Rules and, as a consequence, would face a number of regulatory hurdles before they could be implemented.

10. It was expected that consolidated net liabilities, which amounted to some HKD120 million as at the end of FY2020, would increase substantially as a result of the losses incurred in the FY2020. It appeared from the Company's submissions that it was dependent on its major shareholders for financial support as it had substantial cash outflows from its operations. Without this support, the Company's survival would be in question. While the Company outlined a restructuring proposal at the hearing, it appeared to the Listing Review Committee that the restructuring proposal was at a very preliminary stage and there is no certainty that further steps will be taken to implement the restructuring. In its financial condition at the time of the hearing, even taking into account the limited asset base necessary to operate the Apparel Trading Business and Financial Services Business, the Company had not demonstrated that it had sufficient assets to operate its business in the absence of the continuing financial support from its major shareholders.

In view of the above, the Listing Review Committee has determined that the Company had failed to demonstrate that it had either sufficient operations or assets to comply with the provisions of Rule 13.24 of the Listing Rules. The Listing Review Committee agreed with the basis on which the Listing Division and the Listing Committee had reached a similar determination and, accordingly, has upheld the LC Decision.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange will be suspended with effect from 9:00 a.m. on 8 February 2021. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the requirements under the Listing Rules.

Shareholders and potential investors of the Company who have any queries about the implications of the dealing of the Shares are advised to seek advice from professional advisors.

By order of the Board
SFund International Holdings Limited
Li Qing
Chairman

Hong Kong, 5 February 2021

As at the date of this announcement, the executive Directors are Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Yu Wenhao, Ms. Wang Mengsu, Mr. Lin Qiansheng and Mr. Hon Ming Sang and the independent non-executive Directors are Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral, and Mr. Lam Ho Pong.