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CIFI Holdings (Group) Co. Ltd.
旭輝控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00884)

(Debt Stock Codes: 05261, 05925, 40046, 40120, 40316, 40464, 40519, 40681, 40682)

(Warrant Stock Codes: 21305, 24361)

FULFILMENT OF RESUMPTION GUIDANCE
RESUMPTION OF TRADING

This announcement is made by CIFI Holdings (Group) Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to (i) the announcement of the Company dated 23 June 2023 (the “**June 2023 Announcement**”) setting out the requirements prescribed for the resumption of trading in the securities of the Company on the Stock Exchange (the “**Resumption Guidance**”); (ii) the announcement of the Company dated the even date (the “**Key Findings Announcement**”) relating to the key findings of the Independent Review (as defined below) (together, the “**Announcements**”). Capitalised terms used herein shall have the same respective meanings as those defined in the Announcements unless otherwise defined.

The Company is pleased to announce that it has fulfilled the requirements under the Resumption Guidance with details as follows:

- A. Conduct an appropriate independent investigation into the Audit Issues, the Letter and the Alleged Transactions, assess their impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions**

Background

As previously disclosed by the Company, on 27 March 2023, the Audit Committee received the DTT Letter from DTT, the former auditor of the Company, stating that, among other things, DTT received an anonymous email (the “**Anonymous Email**”, extracts of which were attached to the DTT Letter). The DTT Letter further stated that the key allegations (the “**Allegations**”) relate to the following:

- (A) misappropriation of cash and bank balances amounted RMB1.8 billion under *[sic]* CIFI ES in favour of the Company so as to provide fundings to the Company to support its liquidity (“**Allegation (A)**”);

- (B) out of the RMB1.8 billion, the Company structured the fund flows by way of entering into transactions with CIFI ES, including (i) disposal of car parking spaces in exchange of *[sic]* deposits paid by CIFI ES; and (ii) indirectly sold its investments in private equity funds to CIFI ES where the substance of these private equity investments is in doubt (“**Allegation (B)**”); and
- (C) no proper approval was obtained for these transactions (“**Allegation (C)**”).

DTT recommended in the DTT Letter that the Audit Committee, among other things, to investigate and to establish whether there were commercial substance and business rationale of the deposits for car parking spaces and divestment in private equity funds.

As disclosed in the June 2023 Announcement, the Audit Committee has appointed the Independent Legal Advisor to advise them on the Allegations and consider matters of the Allegations (the “**Independent Review**”) (as defined in the Key Findings Announcement).

The key findings and views of the Audit Committee in connection with the Independent Review and the views of the Board after considering (i) the report of the Audit Committee (and its attachments) to the Board in respect of the Independent Review and (ii) the internal review which has been undertaken by the management of the Company with the assistance of the Company’s advisor have been disclosed in the Key Findings Announcement. Details of which are set out again below for ease of reference.

Scope of Independent Review

As disclosed in the Key Findings Announcement, in view of the Allegations, the Audit Committee:

- (a) noted, as stated in the June 2023 Announcement, that “*Other than naming the Company and CIFI ES and generally referring to their respective subsidiaries, neither the Letter i.e. the Anonymous Email nor the DTT Letter provides any specific details of the Alleged Transactions. As far as the Company is aware and up to the date of this announcement, no evidence has ever been provided to the Company to substantiate the vague allegations made in the Letter and the DTT Letter.*

*Notwithstanding the ambiguity and imprecision of the DTT Letter and the Letter, the Company has nevertheless for prudence’s sake, with the assistance of its advisors, reviewed what the Company believes to be the relevant transactions referred to in the Letter namely, those involving sales agency services with the ES Group or other third party property management companies and those involving private equity funds (together, the “**Transactions**”). Following such review, the Company continues to be of the view that these Transactions:*

- (i) *have been properly recorded in the management accounts of the Group in accordance with the accounting policies and practices of the Group consistently applied;*

the signing or approval of the relevant transactions and (where applicable) certain counterparties of transactions and (d) where applicable, reviewed certain public documents of property management companies listed on the Stock Exchange for comparison. The Independent Legal Advisor reported in its report (the “**Report**”), subject to the fairly customary assumptions and qualifications specified in it, to the Audit Committee in summary that:

In respect of Allegations (A) and (B)

- (a) the ES Group has been providing the CIFI Group with sales agency services for some of their property development projects since 2019. The management of the Company and CIFI ES believe that the ES Group could make use of its market information collected through its network of property management offices located in the properties in its provision of property management services to the Group, in its sales of the unsold residential properties and unsold car parking spaces in the Group’s property development projects;
- (b) the Group has entered into a number of agreements to engage the ES Group to provide sales agency services to the Group in respect of unsold car parking spaces and storage facilities at residential development projects of the Group (“**CIFI Sales Agency Transactions**”) in the financial year ended 31 December 2022 (the “**FY2022**”) in respect of which deposits were receivable by the Group from the ES Group. Certain deposits were also received during FY2022 under CIFI Sales Agency Transactions entered into prior to FY2022. These CIFI Sales Agency Transactions are considered by the Company as individual agreements between members of the Group and the ES Group under the sales agency framework agreements and related supplemental agreement disclosed in the Company’s announcement dated 23 December 2021;
- (c) in the context of property sales agencies with other property management companies during FY2022, the Group has entered into certain exclusive sales agency agreements with companies which are subsidiaries of a property management company (which the Company has confirmed are independent third parties) (“**Independent PM Group**”) that involved the provision of sales agency services in respect of unsold shops in the development projects of the Group and payment by the Independent PM Group of an aggregate refundable deposits of approximately RMB300 million (“**Independent Sales Agency Transactions**”) to the Group. These Independent Sales Agency Transactions were consistent with the Group’s aim to utilising Independent PM Group’s resources, networks and competitive advantages in certain geographical regions to accelerate the sale of the relevant properties and were seen as a region wide collaboration between the Group and the Independent PM Group, focusing in regions where the Independent PM Group has stronger presence and more resources than the Group. The Company is aware that the parent company of the Independent PM Group which is engaged in property development has similarly appointed the ES Group as sales agent for unsold shops in the development projects of the parent company and its subsidiaries and under those arrangements, the ES Group was also required to pay refundable deposits (the “**ES Sales Agency Transactions**”);

- (d) the provision of sales agency services (including the receipt of deposits thereunder) appears to be widely adopted and common within the property management services industry in the PRC. The Independent Review supports that the CIFI Sales Agency Transactions and the Independent Sales Agency Transactions (including the payment of deposits thereunder) were entered into in the ordinary and usual course of business of the Group and the Group is shown to have reasonably clear commercial rationale for entering into the CIFI Sales Agency Transactions and the Independent Sales Agency Transactions. In respect of all of the individual sales agency agreements that were entered into in the financial year ended 31 December 2021 and FY2022 between relevant members of the Group and the ES Group which involved payment of deposits by the ES Group to the Group (the “**Selected Individual Transactions**”) and the Independent Sale Agency Transactions, the Selected Individual Transactions and the Independent Sale Agency Transactions are supported by the documents provided and the public searches conducted as described in the Report, and payments of deposit under the transactions were generally made on or after the date of the relevant agreements. There is no evidence that indicates the Group coercing the ES Group to enter into the CIFI Sales Agency Transactions or the ES Sales Agency Transactions;
- (e) the Group disposed of a number of financial assets including the minority interest in three private equity funds in December 2022 at the total consideration of RMB197 million to independent third parties (the “**CIFI Fund Divestments**”, together with the CIFI Sales Agency Transactions and the Independent Sales Agency Transactions referred to as the “**Relevant Transactions**”), amongst which, (i) the purchasers of two of the three funds subsequently sold their interest in those two funds to the ES Group and (ii) the ES Group invested in another fund, the fund manager of which also managed the remaining fund which the Group exited from (the “**ES Fund Investments**”). The CIFI Fund Divestments were consistent with the strategy and decision of the Group’s investment committee at the time to liquidate the Group’s financial assets in order to achieve capital return and replenish the Group’s working capital. The Independent Review supports that the Group is shown to have reasonably clear commercial rationale for entering into the CIFI Fund Divestments. The CIFI Fund Divestments are supported by the documents provided and the public searches conducted as described in the Report; and payments of consideration for the CIFI Fund Divestments were made by the relevant counterparties to the Group on or after the date of the relevant agreements. The key objective of the Group at that time was to cash out its investment in private equity funds as soon as possible and before 31 December 2022, and there is no evidence that indicates that the CIFI Fund Divestments were conditional upon the ES Fund Investments nor the Group coercing the ES Group to enter into the ES Fund Investments; and

In respect of Allegation (C)

- (f) the Relevant Transactions were conducted with the knowledge and approval of the relevant personnel of the Group generally in accordance with the applicable internal approval procedures which did not require approval by the Board.

The Auditor's Audit Procedures and Opinion

The Auditors have also undertaken separate interviews with the management of the Group and conducted on-site visits, ledger and document reviews and property right transfer records checking on a sampling basis in respect of the CIFI Sales Agency Transactions and the Independent Sales Agency Transactions and required payment evidence of CIFI Fund Divestments as at the date of divestment as part of its audit procedures, having taken into account the DTT Letter, the Anonymous Email and the Report. Based on their report to the Audit Committee (subject to finalisation of audit), the Auditors have indicated that they do not expect to qualify their audit opinion for the FY2022 Financial Statements.

The Audit Committee's View

The Audit Committee reported to the Board that, subject to the finalisation of audit of the FY2022 Financial Statements:

- (a) there was no finding of any appropriate cause to doubt the veracity of the assertion by the Company's management that the Relevant Transactions were conducted with sufficient commercial substance and business rationale nor was there any recommendation that further investigation be undertaken; and
- (b) it appears to the Audit Committee that (i) the CIFI Sales Agency Transactions and the Independent Sales Agency Transactions took place in the ordinary course of the Group's business operations, (ii) there was reasonable business rationale for the receipt of deposit/consideration under the Relevant Transactions; and (iii) deposit/consideration were generally received on or after the date of the relevant agreements and after the relevant transactions had been approved in a manner generally consistent with the Group's internal approval procedures.

The Board's View

Having considered the findings of the Independent Review as reported by the Audit Committee in addition to the internal review by the management of the Company indicated in the June 2023 Announcement that it has undertaken with the assistance of the Company's advisors, the Board is satisfied that:

- (a) the Relevant Transactions had commercial substance and business rationale at the time they were entered into;
- (b) the Relevant Transactions do not require disclosure or the approval of the shareholders of the Company under the Listing Rules;
- (c) the Relevant Transactions were properly approved in accordance with the Group's internal control procedures; and
- (d) the Relevant Transactions have been properly reflected in the consolidated financial statements of the Group.

Based on the above, the Board is of the view that the Allegations have no impact on the Company's business operation and financial position and that no remedial actions are required to be undertaken in connection with the Allegations.

Therefore, the Board is of the view that the resumption guidance (a) has been fulfilled.

B. Publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published its audited annual results for the year ended 31 December 2022 and the unaudited interim results for the six months ended 30 June 2023 (the “**Financial Results**”) on 26 September 2023 pursuant to the content requirements under the Listing Rules. The Board considers that the Financial Results contain all material information which allow the shareholders of the Company (the “**Shareholders**”) and other investors to appraise the Company's financial position as at 31 December 2022 and 30 June 2023 (as the case may be). There are also no audit modifications in the audited annual results of the Company for the year ended 31 December 2022. Accordingly, the Board is of the view that the resumption guidance (b) has been fulfilled.

The Company intends to publish the 2022 Annual Report and the interim report for the six months ended 30 June 2023 in accordance with the content requirements under the Listing Rules as soon as reasonably practicable. The Company acknowledges that the timing of the publication of the interim report for the six months ended 30 June 2023 will not be in compliance with Rule 13.48(1) as it will be published beyond 30 September 2023.

C. Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in the businesses of property development, property investment and provision of property management services in the People's Republic of China. Notwithstanding the suspension of trading in the securities of the Company, the Group has continued to carry on its business operations as usual in all material respects. Furthermore, the Group has put tremendous efforts in preserving value for all stakeholders by ensuring delivery of completed housing units, stabilising its normal business operations and maintaining its onshore financing arrangements. This is evident by the delivery of approximately 68,000 housing units in the first eight months of 2023.

In August 2023, the Group recorded (i) contracted sales (including contracted sales by joint ventures and associated companies) amounted to approximately RMB4.46 billion with contracted GFA of approximately 360,200 sq.m., (ii) contracted average selling price¹ of approximately RMB13,300/sq.m., and (iii) contracted sales attributable to the equity owners of the Company of approximately RMB2.30 billion.

From January to August 2023, the Group recorded (i) aggregated contracted sales (including contracted sales by joint ventures and associated companies) amounted to approximately RMB51.10 billion with contracted GFA of approximately 3,619,500 sq.m., (ii) contracted average selling price¹ of approximately RMB15,000/sq.m., and (iii) contracted sales attributable to the equity owners of the Company of approximately RMB26.53 billion.

¹ Excluding carpark and storage room

As at 30 June 2023, the Group's unaudited total assets and net assets amounted to approximately RMB362,794 million and RMB74,940 million, respectively. For the year ended 31 December 2022 and the six months ended 30 June 2023, the Group's revenue for such periods amounted to approximately RMB47,440 million (audited) and RMB31,319 million (unaudited), respectively. As set out in the audited annual results of the Group for the year ended 31 December 2022, the Auditors have issued an unqualified opinion on such results.

Based on the above, the Board considers that the Group carries out a business with a sufficient level of operations and assets of sufficient value to support its operations and the resumption guidance (c) has been fulfilled.

The above-mentioned data is unaudited and is based on preliminary internal information of the Group, which may differ from figures to be disclosed in the audited or unaudited consolidated financial statements to be published by the Company on an annual or half-yearly basis in due course due to various uncertainties during the process of collating such sales information. As such, the above data is provided for investors' reference only.

D. Inform the market of all material information for the Shareholders and other investors to appraise the Company's position

The Company has kept its Shareholders and investors informed of all material information relating to the Company since the suspension of trading in its securities by way of issuing announcements in relation to quarterly update, the unaudited consolidated management accounts of the Group for the year ended 31 December 2022, the change of auditors of the Company, and unaudited operating statistics of the Group. Accordingly, the Board is of the view that the resumption guidance (d) has been fulfilled.

RESUMPTION OF TRADING

At the request of the Company, trading in the ordinary shares, warrants and derivatives of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 31 March 2023 and would remain suspended until the Stock Exchange is satisfied that the Company has fulfilled the requirements prescribed under the Resumption Guidance.

As set out in this announcement, given the Board considers that the Company has fulfilled all requirements prescribed under the Resumption Guidance, an application has been made by the Company to the Stock Exchange for the resumption of trading in the ordinary shares, warrants and derivatives of the Company from 9:00 a.m. on 27 September 2023.

Trading in the debt securities (debt stock codes: 05261, 05925, 40046, 40120, 40316, 40464, 40519, 40681, 40682) will remain suspended until further notice.

WARNING

Holders of the securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. When in doubt, Shareholders, holders of the securities of the Company and other investors of the Company are advised to seek professional advice from their own professional or financial advisers.

By order of the Board
CIFI Holdings (Group) Co. Ltd.
LIN Zhong
Chairman

Hong Kong, 26 September 2023

As at the date of this announcement, the Board comprises Mr. LIN Zhong, Mr. LIN Wei, Mr. LIN Feng, Mr. RU Hailin and Mr. YANG Xin as executive Directors; and Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi as independent non-executive Directors.