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REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

This announcement is made by Redco Properties Group Limited (the “**Company**” and 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**”).

References are made to (i) the announcements of the Company dated 31 March 2023, 31 August 2023 and 28 March 2024 in relation to, among others, the delay in the publication of the audited annual results of the Group for the year ended 31 December 2022, the unaudited interim results of the Group for the six months ended 30 June 2023, and the audited annual results of the Group for the year ended 31 December 2023, respectively; (ii) the announcements of the Company dated 31 May 2023 and 3 May 2024 setting out the resumption guidance and additional resumption guidance for the resumption of trading in the shares of the Company on the Stock Exchange; (iii) the announcements of the Company dated 30 June 2023 and 25 July 2023 in relation to the change of auditors of the Company; (iv) the announcements of the audited annual results of the Group for the year ended 31 December 2022, the unaudited interim results of the Group for the six months ended 30 June 2023 and the audited annual results of the Group for the year ended 31 December 2023 all dated 24 April 2024, and the announcement of the unaudited interim results of the Group for the six months ended 30 June 2024 dated 28 August 2024; (v) the quarterly update announcements of the Company dated 30 June 2023, 28 September 2023, 29 December 2023, 28 March 2024, 28 June 2024 and 27 September 2024 in relation to the Company’s resumption progress; (vi) the announcement of the Company dated 31 January 2024 in relation to the key findings of the independent inquiry conducted by the independent professional adviser; and (vii) the announcement of the Company dated 24 October 2024 in relation to the further key findings of the independent

inquiry conducted by the independent professional adviser and the results of the internal control review ((i) to (vii) collectively, the “**Announcements**”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

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

Resumption Guidance (a): Publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published its (i) audited annual results for the years ended 31 December 2022 and 2023 and unaudited interim results for the six months ended 30 June 2023 on 24 April 2024; and (ii) unaudited interim results for the six months ended 30 June 2024 on 28 August 2024. As of the date of this announcement, all outstanding financial results required to be published by the Company under the Listing Rules have been published. The Company’s auditor has also performed relevant audit procedures, and reviewed the work done and findings made by the Independent Professional Adviser in respect of the Redco Healthy’s Independent Inquiry and the Redco Properties’ Independent Inquiry at the relevant time. Based on the foregoing, the Company’s auditor concurs with the view of the Board and the Audit Committee that the Redco Healthy’s Independent Inquiry and the Redco Properties’ Independent Inquiry have properly and fully addressed Audit Issues I, II and III raised by the former auditor of the Company.

In respect of the Company’s audited consolidated financial statements for each of the years ended 31 December 2022 and 2023 which was prepared on a going concern basis, the Company’s auditor expressed a disclaimer of opinion with multiple uncertainties relating to going concern, and stated that in all other respects, these consolidated financial statements have been properly prepared in compliance with the disclosure requirements under the Hong Kong Companies Ordinance. Details of the basis for disclaimer of opinion, the Board’s view and plans to address the disclaimer of opinion, and the Audit Committee’s view were set out in the section headed “Disclaimer of Opinion” in the “Corporate Governance Report” of the Company’s annual reports for the years ended 31 December 2022 and 2023.

The Company continued to adopt the going concern basis of accounting in preparing its unaudited consolidated financial statements for the six months ended 30 June 2024 after considering the Group’s future liquidity and performance as well as its available financing sources. The Group had formulated various plans and measures to alleviate the liquidity pressure and improve the Group’s financial condition, the details of which are set out in note 2(a) to the condensed consolidated financial statements in the Company’s interim report for the six months ended 30 June 2024. The Company has continued to implement these plans and measures, and has been

making good progress in its debt restructuring, re-financing and re-negotiation of the terms of the Group's existing outstanding bank and other borrowings. An update on the progress and status of such measures and plans as at the date of this announcement is set out as follows:

- (i) the Group has continued to actively negotiate with the Group's existing lenders and creditors on extending the repayment of principal and interest of certain overdue bank and other borrowings and/or renewal of certain indebtedness of the Group. The Group has successfully entered into extension agreements with certain lenders for the extension of loans repayment and/or reduction of interest rate;
- (ii) in respect of its offshore debt restructuring, the Group has been actively negotiating with its creditors on the restructuring proposal for the Group's offshore indebtedness;
- (iii) the Group has been managing its debt structure and looking for new and additional funding opportunities. Recently, the Group has successfully obtained the approval by a PRC state-owned bank for a new development loan facility for its property project in the PRC;
- (iv) the Group will continue to implement measures to accelerate the pre-sale and sale of its properties under development for sale and completed properties held for sale at the expected sale prices and to speed up the collection of outstanding sales proceeds and contract assets; and
- (v) the Group will continue to actively communicate with the relevant governmental authorities regarding refunds of land premium for undeveloped lands and refunds of land appreciation tax so as to accelerate the refund process.

In addition, the PRC government has implemented policies to support the real estate industry in the PRC which are expected to boost the sales of the Group and ease its liquidity pressure. For instance, some of the Group's projects have been included in the "White List" for real estate financing in the PRC.

As at the date of this announcement, based on the cash flow forecast prepared by the Company and barring unforeseeable circumstances, the Board takes the view that the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this announcement.

In light of the foregoing, the Resumption Guidance (a) has been fulfilled.

Resumption Guidance (b): Conduct an appropriate independent forensic investigation into the Audit Issues, assess their impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions

The Redco Healthy's Independent Inquiry on Audit Issues I, II and III has been completed. The key findings on the Redco Healthy's Independent Inquiry have been disclosed in the announcements of Redco Healthy dated 31 January 2024 and 24 October 2024.

The Redco Properties' Independent Inquiry on Audit Issues I, II and III has also been completed. The key findings of the Redco Properties' Independent Inquiry have been disclosed in the announcements of the Company dated 31 January 2024 and 24 October 2024.

Given that (i) all the deposits and earnest monies involved in Audit Issues I, II and III in respect of potential transactions that were subsequently terminated or not further pursued by Redco Healthy Group had been fully refunded to Redco Healthy Group; (ii) all the fund movements considered under Audit Issue III were between the Group and Redco Healthy Group and were fully eliminated in the consolidated financial statements of the Group; and (iii) the Group did not incur any actual loss as a result of the fund movements and/or terminated transactions, the Board takes the view that the fund movements considered under Audit Issues I, II and III did not have any material adverse impact on the business operation and financial position of the Group.

The Board and the Audit Committee considered that Audit Issues I, II and III would not have arisen if certain aspects of the Group's internal control system at the material time were more robust. The Group has taken remedial actions to rectify the internal control deficiencies, the details of which are set out in the Company's announcement dated 24 October 2024.

In light of the foregoing, the Company is of the view that Resumption Guidance (b) has been fulfilled.

Resumption Guidance (c): Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules

The Board has engaged the Internal Control Consultant to conduct the Internal Control Review which has been completed. The Company has announced the results of the Internal Control Review on 24 October 2024. All the internal control deficiencies identified by the Internal Control Consultant have been rectified by the Group. After conducting a follow-up review, the Internal Control Consultant takes the view that all the internal control rectification recommendations made by it have been properly addressed by the Group and no significant internal control issues are identified.

In view of the above, the Board and the Audit Committee are satisfied that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules. As such, Resumption Guidance (c) has been fulfilled.

Resumption Guidance (d): Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in the property development and provision of property management services, property investment services, project management services and healthcare services business in the PRC.

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB5,339.4 million. As at 31 December 2023, the Group's property portfolio comprised 95 property development and investment projects with an aggregate gross floor area of approximately 12.9 million square meters under various stages of development remaining unsold in various cities in the PRC. As at 31 December 2023, the Group's audited total assets amounted to approximately RMB51,464 million.

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB3,773.5 million. As at 30 June 2024, the Group's property portfolio comprised 91 property development and investment projects with an aggregate gross floor area of approximately 11.4 million square meters under various stages of development remaining unsold in various cities in the PRC. As at 30 June 2024, the Group's unaudited total assets amounted to approximately RMB48,878 million.

The Company considers that it carries out a business with a sufficient level of operations and assets of sufficient value to support its operations and therefore it has fulfilled Resumption Guidance (d).

Resumption Guidance (e): Demonstrate that there is no reasonable regulatory concern about the integrity, competence or character of the Group's management and/or any persons with substantial influence over the Group's management and operations, which may pose a risk to investors and damage market confidence

Based on the findings of the Redco Healthy's Independent Inquiry and the Redco Properties' Independent Inquiry:

- (i) Mr. Tang Chengyong ("**Mr. Tang**"), an executive director of the Company, was a key person involved in the assessment, approval and decision-making process with respect to the various transactions and arrangements in Audit Issues I, II and III in his capacity as a director of Redco Healthy. Mr. Tang's involvement in this regard was not related to his capacity as a director of the Company; and
- (ii) (a) a director, the legal representative and the general manager of a subsidiary of the Company at the relevant time ("**Individual A**"), was responsible for the relevant investment and promotion work in respect of the Tianjin Project under Audit Issue III; and (b) the head of the fund management center of the Group ("**Individual B**") was responsible for handling the earnest money for the Tianjin Project under Audit Issue III.

The Board does not consider that the respective involvement of Mr. Tang, Individual A and Individual B in Audit Issues I, II and III as mentioned above imply that they do not meet the standard of integrity, competence or suitability as a Director or management of the Group (as the case may be) based on the following reasons:

- (i) at the relevant time, each of Mr. Tang, Individual A and Individual B had acted honestly and in good faith, exercised his independent judgment in discharge of his duty as a director of Redco Healthy or a management team member of the Group (as the case may be), and believed that the transactions or arrangements under Audit Issues I, II and III would be in the interest of the Company and the Shareholders as a whole;
- (ii) Mr. Tang, Individual A and Individual B, to the extent of their respective involvement in Audit Issues I, II and III as a director of Redco Healthy or a management team member of the Group (as the case may be), did not breach any internal policies of the Group and Redco Healthy or (in the case of Mr. Tang) acted in breach of his duties as a Director and a director of Redco Healthy;
- (iii) the transactions or arrangements conducted under Audit Issues I, II and III had commercial substance and business rationale; and
- (iv) the Group as a whole has not suffered any actual loss as a result of the transactions or arrangements involved under Audit Issues I, II and III.

The Audit Committee's view

The Audit Committee considered that Audit Issues I, II and III would not have arisen if certain aspects of the Group's internal control system at the material time were more robust. The Audit Committee understands that following the initial review by the Internal Control Consultant, the Company has enhanced its internal control systems and the Internal Control Consultant has also conducted a follow-up review on the internal control systems of the Group and considered that all the internal control recommendations made by the Internal Control Consultant have been properly addressed by the Group.

In addition, all the Directors and the Company Secretary had attended training sessions provided by a law firm in Hong Kong in February 2024 regarding the requirements of the Listing Rules.

The Audit Committee takes the view that the Internal Control Review and rectifications as well as the additional training undertaken by the Directors and the Company Secretary as outlined above are conducive to preventing recurrence of Audit Issues I, II and III.

For the reasons set out above, the Company considers that it has fulfilled Resumption Guidance (e).

Resumption Guidance (f): Inform the market of all material information for the Shareholders and the Company's 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 shares by way of the Announcements and this announcement. Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (f).

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:00 p.m. on 29 March 2023. Application has been made by the Company for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 28 October 2024.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By order of the Board
Redco Properties Group Limited
Wong Yeuk Hung
Chairman

Hong Kong, 25 October 2024

As at the date of this announcement, the executive Directors are Mr. Wong Yeuk Hung JP, Mr. Huang Ruqing and Mr. Tang Chengyong; and the independent non-executive Directors are Mr. Chau On Ta Yuen SBS, BBS, Dr. Tam Kam Kau GBS, SBS, JP and Mr. Yip Tai Him.