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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)

SUPPLEMENTAL INFORMATION IN RELATION TO THE DECISION OF THE STOCK EXCHANGE ON RULE 13.24

Reference is made to the announcement of SFund International Holdings Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) dated 26 April 2020 in relation to the decision of the Stock Exchange on Rule 13.24 (the “**Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Announcement.

The Board would like to provide supplemental information in respect of the reasons for the Decision made by the Stock Exchange.

In arriving at the Decision, the Stock Exchange has considered the following:

- (1) At the time of the initial public offering (“**IPO**”), the Company was principally engaged in the provision of apparel supply chain management services and trading in apparel products (the “**Apparel Trading Business**”). Shortly after the change in control in October 2016, the Company announced its intension to develop in the financial sector and commenced the following businesses:
 - (i) provision of fund management, asset management, financial advisory and securities brokerage services (the “**Financial Services Business**”) since October 2017;
 - (ii) provision of loan financing (the “**Money Lending Business**”) since December 2016;
and
 - (iii) investment in listed and unlisted investments (the “**Securities Investment**”) since December 2016.

- (2) Around two years after listing, the original controlling shareholders disposed all their equity interests in the Company in the financial year of 2016. All the IPO directors resigned and the new directors do not have any experience in apparel industry. Since then, the Apparel Trading Business, the original business, has started to lose its customers and, therefore, revenue has declined to a minimal level. The Company has commenced new businesses, the Financial Services Business and the Money Lending Business, which were unrelated to the Company's original business. However, these businesses lacked substance in light of limited customer base and small operation scale over the years.
- (3) As a result, the Company's revenue significantly decreased from HK\$365.8 million in the financial year of 2016 to HK\$64.3 million in the financial year of 2019. In addition, the Company also recorded net loss and negative operation cashflow in the past few years. The situation does not appear to be a temporary downturn or decline. The Company's business plan is preliminary without concrete details or substantive progress on the potential acquisitions. Overall, the Stock Exchange considers that the Company's businesses are not viable and sustainable and/or of substance.

Apparel Trading Business

- (4) The Apparel Trading Business was the IPO business and the main revenue contributor for the past five years. However, after the change in control and departure of the IPO directors in the financial year of 2016, the Company started to lose major customers and, as a result, revenue has substantially declined over the years and the Company recorded continued segment loss in the past three years. The scale of operation of this business has diminished into a minimal level.
- (5) The Company only relies on a small customer base (six key customers) to operate this business. Despite two new customers were solicited in the financial year of 2019, the Company continued to record losses in this business. Further, the two contracts were already completed. The Company has not demonstrated that it can expand its customer base or secure new or recurring orders to substantially increase its level of operation and profitability of this business. The Stock Exchange considers that this business is no longer viable and sustainable.

Financial Services Business

- (6) This business has a low level of operation and limited operation history. It generated minimal revenue and recorded segment loss since its commencement in the financial year of 2017. The Company only managed a limited number of funds (i.e. eight funds) and the majority of them are either expired or being wound up. Moreover, almost all the management fee receivables were impaired in the financial year of 2019. In addition, the Company's business plan is preliminary with no track record. This raised concerns that the Financial Services Business is not a business of substance and not viable and sustainable.

- (7) The potential acquisitions are still in a preliminary stage and are not supported by any legally binding agreement. Furthermore, the other possible acquisition is contingent on the compliance with the new listing requirements. It is questionable whether these potential acquisitions could substantially improve the scale and performance of this business.

Money Lending Business

- (8) The Money Lending Business lacks substance and thus it is not viable and sustainable in view of a minimal scale of operation with only three customers and three employees. Moreover, the Company does not intend to expand its loan portfolio and will focus on other businesses.

Securities Investment

- (9) Under Rule 13.24(2), the Company's proprietary investment in securities is normally excluded from Rule 13.24 assessment. Therefore, the Securities Investment is not considered under Rule 13.24 assessment.

Should there be any material development of this matter, further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders and potential investors of the Company who have any queries about the implications of the Decision are advised to seek professional advice as they may consider appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 April 2020

As at the date of this announcement, the executive directors are Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Liu Zhijun, Ms. Yi Sha, Ms. Wang Mengsu 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.