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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 ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of SFund International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 in relation to the final results of the Group for the year ended 31 December 2019 (the “**Results Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Results Announcement.

In addition to the information provided in the Results Announcement, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide supplemental information in respect of a disclaimer of opinion (the “**Disclaimer Opinion**”) issued by the auditors of the Company (the “**Auditors**”) in relation to the consolidated financial statements of the Group for the year ended 31 December 2019.

DISCLAIMER OPINION

The Auditors issued the Disclaimer Opinion for the annual results of the Group for the year ended 31 December 2019. Set out below is the paragraph headed “**Basis for Disclaimer of Opinion**” as extracted from the Results Announcement:–

“We draw attention to note 1 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK\$111,390,000 and HK\$101,279,000 respectively for two consecutive years of year ended 31 December 2019 and 2018 and as at 31 December 2019 the Group had net current liabilities and net liabilities of HK\$124,423,000 and HK\$120,364,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.”

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the substantial shareholders, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's substantial shareholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OPINION

During the course of audit of the consolidated financial statement of the Group for the year ended 31 December 2019, the Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has, among other things, taken the following steps:–

- (i) The Group has been urging its customers of the money lending segment to settle all overdue loans. In January 2020, the Company received HK\$35 million from a customer and has applied such proceeds to settle part of the bond payables (details of which are to be discussed below). It is expected that the Company will received HK\$40 million from a customer on or before 25 July 2020. The Company intends to apply such proceeds to settle the outstanding bond payables of HK\$29 million (details of which are to be discussed below), and the remaining will be used as working capital of the Group. For the remaining overdue loan receivables, the Company is negotiating with the customer.
- (ii) The Company has received a letter of intent from Kapok Spirit Investment Limited ("**Kapok Spirit**"), an entity indirectly wholly owned by SFund International Investment Fund Management Limited ("**SFund International**") which is the substantial shareholder of the Company, to extend the maturity date of the outstanding bond payable of HK\$80 million, which was matured in September 2019.
- (iii) On 20 January 2020, the Group and an independent third party have entered into a loan agreement, pursuant to which the lender agreed to provide a loan in the principal amount of HK\$75 million (the "**Loan**"). In January 2020, the Group has already drawn down the Loan to settle part of the bond payables (details of which are to be discussed below).
- (iv) On 27 March 2020, the Company has obtained a letter of intent from SFund International, to provide continued financial support to the Group to meet its liabilities and obligations as and when they fall due.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to raise funds by issuing of securities in future. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

Despite the effort made by the Company to address the concern, the Auditors issued the Disclaimer Opinion as they cast doubt on the certainty of the continued financial support by SFund International. The management of the Company (the “**Management**”) has considered the Auditors’ rationale and understood their consideration in arriving their opinion.

In order to address the Disclaimer Opinion, the Company will continue to take the following steps to improve the Group’s working capital and cash flow position and mitigate its liquidity pressure:–

(i) Possible settlement of bond payables and shareholder’s loans by way of capitalisation

As at 31 December 2019, the bond payables amounted to HK\$219 million which shall be due within twelve months from 31 December 2019, of which (i) HK\$80 million was held by Kapok Spirit, and (ii) HK\$139 million was held by another bond holder (the “**Bond Holder**”).

The Group has already drawn down the Loan and repaid HK\$110 million to the Bond Holder as mentioned above. It is expected that the remaining balance of HK\$29 million due by the Company to the Bond Holder will be repaid on or before July 2020 by the proceeds to be received from the customer as mentioned above. The Group is negotiating with the Bond Holder regarding the payment date.

As regards the bonds held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund International to capitalise the principal amount of the outstanding bonds and the outstanding shareholder’s loans (the “**Possible Capitalisation**”). Subject to the approval from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), it is expected that the Possible Capitalisation will be carried by the Group in the third quarter of 2020. It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialised.

(ii) Possible issue of new securities

The Company also intends to raise funds by issuing new securities. As at the date of this announcement, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. Subject to the approval from the Stock Exchange and market conditions, it is expected that the Group will conduct such fundraising activity at the end of 2020. The Company intends to use such proceeds for the potential acquisition, expansion of the Group’s business and/or as working capital of the Group.

(iii) Financial support

As mentioned above, SFund International intends to provide continued financial support to the Group to meet its liabilities and obligations as and when they fall due. As at 22 April 2020, the Company has obtained HK\$14.4 million shareholder’s loans from SFund International. SFund International intends to further provide HK\$15.6 million shareholder’s loans to the Group. As discussed above, the Company intends to negotiate with SFund International to settle all outstanding shareholder’s loans by way of capitalisation. It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialised.

(iv) Income-generating and cost-saving measures

In order to improve financial performance and operating efficiency, the Group has, among others, been implemented a number of income-generating and cost-saving measures:–

(a) Expansion on financial services business

On 25 March 2020, 廣俊粵港澳產業投資基金管理(廣州)有限公司 (Guangjun Guangdong-Hong Kong-Macao Industrial Investment Fund Management (Guangzhou) Company Limited*) (the “**GJ Fund Management Company**”), an associate company of the Group, and 廣州南沙經濟技術開發區商務局 (Guangzhou Nansha Economic and Technology Development Zone Commercial Bureau*) have entered into an agreement, pursuant to which GJ Fund Management Company will establish a private equity fund for investing in an education project in Nansha district, Guangzhou Province, the PRC.

湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) which is a subsidiary of the Company and holds Private Equity Fund Management License in the PRC, is planning to be a general partner to manage the fund.

In order to expand the fund management business, the Company is planning to set up other new funds. The Company is also contemplating to set up a fixed income business to further expand its financial business. The proposals are under discussion, and the Company is discussing with its parent company to execute these plans. The Directors are optimistic about the implementation of these proposals and it is expected that the Group’s revenue from financial services will be increased in the forthcoming years.

(b) Cost-saving/reduction

The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

SFund International, as the substantial shareholder of the Company, has provided its continuous support to the Company, including the support on the aforementioned measures taken and to be taken by the Company, and is willing to further provide more support to the Company and protect the interests of minority shareholders of the Company. In light of the above, the Board is confident that the Disclaimer Opinion would be removed for the financial year ending 31 December 2020.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

The members of the audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Disclaimer Opinion, the Management’s position concerning the Disclaimer Opinion and measures taken by the Company for addressing the Disclaimer Opinion. The Audit Committee agreed with the Management’s position based on the reasons above and due to the historical track record of continuous financial support from SFund International. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer Opinion that no such Disclaimer Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors’ rationale and understood their consideration in arriving their opinion.

The Board confirms that the above supplemental information does not affect other information contained in the Results Announcement and the contents of the Results Announcement remain unchanged.

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.