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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)

CONNECTED TRANSACTION
CAPITAL INJECTION INTO LINGYU APARTMENT MANAGEMENT

CAPITAL INCREASE AGREEMENT

Reference is made to the announcement of the Company dated 21 March 2017 in relation to the formation of Lingyu Apartment Management, being a joint venture company with registered capital of RMB100,000,000 owned by CIFI (PRC)(an indirect wholly-owned subsidiary of the Company), Xuhui Enterprise, Xinjue and Puru as to 30%, 40%, 20% and 10% respectively. On 12 September 2018, the aforesaid existing shareholders of Lingyu Apartment Management, together with a new investor namely Power Main, entered into the Capital Increase Agreement, pursuant to which the parties agreed to contribute further capital for a total amount of RMB300,000,000 into Lingyu Apartment Management by way of cash as its registered capital. Among such RMB300,000,000, CIFI (PRC), Xuhui Enterprise, Xinjue, Puru and Power Main agreed to contribute RMB170,000,000, RMB60,000,000, RMB40,000,000, RMB10,000,000 and RMB20,000,000 respectively. Immediately after the aforesaid capital injection, the registered capital of Lingyu Apartment Management will increase from RMB100,000,000 to RMB400,000,000 and the shareholding among CIFI (PRC), Xuhui Enterprise, Xinjue, Puru and Power Main will become 50%, 25%, 15%, 5% and 5% respectively. Lingyu Apartment Management will still be accounted for as an associated company of the Company and the financial performance of which will not be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xuhui Enterprise is an associate of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, who are executive Directors and controlling shareholders of the Company. Mr. LIN Feng is a general partner of Xinjue, which is a limited partnership established in the PRC. Accordingly, Xuhui Enterprise, Xinjue and Lingyu Apartment Management are connected persons of the Company and the capital injection by CIFI (PRC) in Lingyu Apartment Management contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the capital injection by the Group pursuant to the Capital Increase Agreement is more than 0.1% but all of such applicable percentage ratios are less than 5%, the transaction under the Capital Increase Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Reference is also made to the announcement of the Company dated 30 June 2017 concerning the leasing of properties and provision of renovation services by the Group to Lingyu Apartment Management which constitute continuing connected transaction of the Company for a term up to 31 December 2019. After the capital injection under the Capital Increase Agreement, such continuing connected transaction is expected to continue on the terms as disclosed in the aforesaid announcement.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 March 2017 in relation to the formation of Lingyu Apartment Management, being a joint venture company with registered capital of RMB100,000,000 owned by CIFI (PRC)(an indirect wholly-owned subsidiary of the Company), Xuhui Enterprise, Xinjue and Puru as to 30%, 40%, 20% and 10% respectively.

The Board is pleased to announce that on 12 September 2018, the aforesaid existing shareholders of Lingyu Apartment Management, together with a new investor namely Power Main, entered into the Capital Increase Agreement, pursuant to which the parties agreed to contribute further capital for a total amount of RMB300,000,000 into Lingyu Apartment Management by way of cash as its registered capital.

CAPITAL INCREASE AGREEMENT

The major terms of the Capital Increase Agreement are set out as follows:

Date: 12 September 2018

- Parties:**
- (1) CIFI (PRC), an indirect wholly-owned subsidiary of the Company incorporated in the PRC;
 - (2) Xuhui Enterprise, an investment holding company established in the PRC and an associate of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, who are the executive Directors and controlling shareholders of the Company. Xuhui Enterprise is therefore a connected person of the Company;
 - (3) Xinjue, a limited partnership established in the PRC of which Mr. LIN Feng is a general partner. Xinjue is therefore a connected person of the Company;
 - (4) Puru, a sole proprietorship enterprise established in the PRC; and
 - (5) Power Main, a company incorporated in Hong Kong.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Puru is principally engaged in property investment business in the PRC and Power Main is an investment holding company, and both of Puru and Power Main and their respective ultimate beneficial owners are Independent Third Parties.

Capital Injection

Pursuant to the Capital Increase Agreement, CIFI (PRC), Xuhui Enterprise, Xinjue, Puru and Power Main agreed to contribute new capital into Lingyu Apartment Management by a total of RMB300,000,000 in cash. Among such RMB300,000,000, CIFI (PRC), Xuhui Enterprise, Xinjue, Puru and Power Main will contribute RMB170,000,000, RMB60,000,000, RMB40,000,000, RMB10,000,000 and RMB20,000,000 respectively.

The shareholdings in Lingyu Apartment Management before and after the completion of the Capital Injection are as follows:

	Before the Capital Injection		After completion of the Capital Injection	
	Amount of the registered capital of Lingyu Apartment Management (in RMB)	Percentage	Amount of the registered capital of Lingyu Apartment Management (in RMB)	Percentage
CIFI (PRC)	30,000,000	30%	200,000,000	50%
Xuhui Enterprise	40,000,000	40%	100,000,000	25%
Xinjue	20,000,000	20%	60,000,000	15%
Puru	10,000,000	10%	20,000,000	5%
Power Main	–	–	20,000,000	5%
Total	<u>100,000,000</u>	<u>100%</u>	<u>400,000,000</u>	<u>100%</u>

Consideration payment and basis

Subject to obtaining of necessary approval by each of the parties making capital contribution, they should make the Capital Injection before 15 September 2018 by transferring their respective contribution in RMB or in HKD equivalent to relevant sum of RMB to the bank account designated by Lingyu Apartment Management. The Group intends to finance its capital contribution by the internal resources of the Group.

The amount of the Capital Injection was determined on arm's length negotiation and on normal commercial terms between the contracting parties with reference to various factors, including the capital required for the business development of Lingyu Apartment Management, the financial status and net asset value of Lingyu Apartment Management and the appraised value of Lingyu Apartment Management as at 30 June 2018 per valuation conducted by an independent valuer based on asset-based approach. The unaudited total assets and unaudited net assets of Lingyu Apartment Management as at 30 June 2018 were RMB408.9 million and RMB71.5 million respectively. Lingyu Apartment Management was established in 2017. An unaudited net loss of approximately RMB32,800 was recorded by it for the year ended 31 December 2017.

Composition of board of Lingyu Apartment Management

Upon completion of the Capital Injection, the board of directors of Lingyu Apartment Management will comprise 3 directors, one of which will be nominated by CIFI (PRC), one will be jointly nominated by Xuhui Enterprise and Xinjue and the remaining one will be nominated by Puru.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Group (comprising CIFI (PRC)) is principally engaged in property development and property investment business in the PRC. Lingyu Apartment Management is principally engaged in provision of apartment rental and related services in the PRC.

Following completion of the Capital Injection, Lingyu Apartment Management will be converted from a PRC domestic enterprise into to a sino-foreign equity joint venture. Lingyu Apartment Management will still be accounted for as an associated company of the Company and the financial performance of which will not be consolidated into the consolidated financial statements of the Company. The Group expects there is increasing demand in the PRC for quality and well-furnished apartments served with hospitality services that Lingyu Apartment Management pursues to offer. Such demand is driven by the growing affluence and desire of population in pursuing elegant living style in the PRC. The introduction of Power Main, being a new independent offshore investor, will broaden the capital base of Lingyu Apartment Management in support of its future development. Further investment in Lingyu Apartment Management by the Group on same fair basis applicable to other independent party is believed to allow the Group to enjoy the return that will be generated from its investment in a business segment with expected sustainable growth in the PRC.

LISTING RULES IMPLICATIONS

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As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the capital injection by the Group pursuant to the Capital Increase Agreement is more than 0.1% but all of such applicable percentage ratios are less than 5%, the transaction under the Capital Increase Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Reference is also made to the announcement of the Company dated 30 June 2017 concerning the leasing of properties and provision of renovation services by the Group to Lingyu Apartment Management which constitute continuing connected transaction of the Company for a term up to 31 December 2019. After the capital injection under the Capital Increase Agreement, such continuing connected transaction is expected to continue on the terms as disclosed in the aforesaid announcement.

Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng, being executive Directors, are considered to have material interest in the Capital Increase Agreement. They have therefore abstained from voting on the Board resolutions of the Company approving the Capital Increase Agreement and the transaction contemplated thereunder. Save as disclosed above, none of the Directors have material interest in the transaction contemplated under the Capital Increase Agreement nor is any of them required to abstain from voting in respect of the relevant Board resolutions.

Taking into consideration of the above reasons and benefits of entering into the Capital Increase Agreement, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Capital Increase Agreement are entered into in the normal and ordinary course of business on normal commercial terms, and terms of the Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement dated 12 September 2018 entered into between CIFI (PRC), Xuhui Enterprise, Xinjue, Puru and Power Main
“Capital Injection”	the proposed increase of registered capital of Lingyu Apartment Management by RMB300,000,000 pursuant to the Capital Increase Agreement
“CIFI (PRC)”	CIFI Group Co., Ltd.* (旭輝集團股份有限公司), a joint stock company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) and Directors, chief executive or substantial shareholders, or the Company, its subsidiaries or any of their respective associate(s)
“Lingyu Apartment Management”	Shanghai Lingyu Apartment Management Co., Ltd.* (上海領昱公寓管理有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“Power Main”	Power Main International Limited (力全國際有限公司), an investment holding company incorporated in Hong Kong with limited liability and an Independent Third Party
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Puru”	Shanghai Puru Enterprise Management Centre* (上海璞儒企業管理中心), a sole proprietorship enterprise established in the PRC which is principally engaged in property investment business and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Xinjue”	Shanghai Xinjue Enterprise Management Limited Partnership* (上海歆珏企業管理合夥企業(有限合夥)), a limited partnership established in the PRC which is principally engaged in property investment business and a connected person of the Company
“Xuhui Enterprise”	Shanghai Xuhui Enterprise Development Co., Ltd.* (上海旭輝企業發展有限公司), an investment holding company established in the PRC with limited liability and a connected person of the Company
“%”	per cent

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

Hong Kong, 12 September 2018

As at the date of this announcement, the Board comprises Mr. LIN Zhong, Mr. LIN Wei, Mr. LIN Feng, Mr. CHEN Dongbiao and Mr. YANG Xin as executive Directors; Mr. ZHOU Yimin as non-executive Director; and Mr. GU Yunchang, Mr. ZHANG Yongyue and Mr. TAN Wee Seng as independent non-executive Directors.

* *For identification purposes only*