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## JINGRUI HOLDINGS LIMITED

景瑞控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01862)

### INSIDE INFORMATION

- (1) FULFILLMENT OF RESUMPTION CONDITIONS
- (2) FINDINGS OF THE INDEPENDENT INVESTIGATION
- (3) RESUMPTION OF TRADING

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

#### 1. FULFILLMENT OF RESUMPTION CONDITIONS

Reference is made to the announcement of the Company dated 1 August 2022 in relation to the resumption guidance. The Company is pleased to announce that it has fulfilled the resumption conditions on the following basis.

*Resumption guidance 1 – publish all outstanding financial results required under the Listing Rules and address any audit modifications*

Please refer to the 2021 annual results and the 2022 interim results published on 13 March 2023.

*Resumption guidance 2 – conduct an independent investigation into the issue in relation to the deposits (as detailed in the announcement of the Company dated 25 July 2022), announce the findings and take appropriate remedial actions*

Please refer to the section headed “**2. FINDINGS OF THE INDEPENDENT INVESTIGATION**” of this announcement.

*Resumption guidance 3 – demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules*

The Group carries out its business with a sufficient level of operations.

The Group is principally engaged in the property development business in the Yangtze River Delta region.

Please also refer to the section headed “**Business Overview**” of the 2021 annual results announcement issued by the Company dated 13 March 2023 for an overview of the Group’s operations (including the particulars of its property projects and land reserve). The Group’s revenue for the year ended 31 December 2021 was RMB13,551.6 million.

The Group carries out its business with assets of sufficient value. The Group’s total asset value as at 30 June 2022 was RMB59,418.0 million.

*Resumption guidance 4 – inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position*

Since the suspension of trading in the securities of the Company, the Company has continued to update the market on its latest developments. The Company has published updates on contracted sales (including contracted sales by joint ventures and associates) and GFA on a monthly basis. In the announcements of the Company dated 22 July 2022, 31 August 2022 and 30 November 2022 respectively, the Company has informed the market about its next steps in relation to its offshore restructuring. In the announcements of the Company dated 14 September 2022, 27 September 2022, 27 October 2022 and 12 March 2023 respectively, the Company informed the market about the disposals of its interests in certain investment properties.

## 2. FINDINGS OF THE INDEPENDENT INVESTIGATION

Reference is made to the announcement of the Company dated 21 July 2022 in relation to the formation of the independent committee of the board (the “**Independent Committee**”) to investigate the nature of certain fixed-term deposits held by the Group (i.e. whether or not the these deposits were restricted) (the “**Issue**”) raised by PricewaterhouseCoopers (“**PwC**”) in its letter of resignation as auditor of the Company dated 31 May 2022 (the “**Independent Investigation**”).

The Independent Committee has engaged Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合伙)) (“**Mazars**”) to assist in the conduct of the Independent Investigation. The Independent Investigation has been completed.

### **Background**

The circumstances leading to the Independent Investigation have been set out in the announcement of the Company dated 25 July 2022 and are summarised below.

In its resignation letter dated 31 May 2022, PwC stated that during the process of the 2021 audit, based on the materials and information provided by the Group, PwC prepared and sent bank confirmation requests including five request letters to the Guangzhou branch and two request letters to the Shanghai branch of a bank (the “**Bank**”).

According to the information provided by the Group, the aggregate year-end balance of the deposits with the Bank (the “**Deposits**”) set out in the seven request letters was RMB4,910,030,000, and the accounts for the Deposits were not fund pool collection accounts (資金池歸集賬戶), and were not subject to freezing, guarantee or other usage restrictions.

The information provided by the Group was confirmed by the replies to these seven request letters (the “**Reply Letters**”) received by PwC in February 2022.

In April 2022, PwC contacted the centralised operation centre of the Bank’s Guangzhou branch for the purpose of verifying the information in the Reply Letters. The centre replied that it did not receive the request letters.

In May 2022, the Group informed PwC that the Deposits were subject to certain arrangements such as pledges, fund transfers and counter-guarantees.

### **Scope of the Independent Investigation**

The scope of the Independent Investigation (which was agreed with Elite Partners, the auditor of the Company, and the Independent Committee) covers the following areas:

- (1) to assess whether the Group’s arrangements (if any) in connection with the Issue were genuine, legal and reasonable (e.g. whether it was in line with the usual industry practice), and whether the arrangement(s) were in line with the internal control system of the Company (e.g. permissions and procedures);
- (2) to ascertain the reasons for the discrepancies between the Reply Letters and the subsequent findings by PwC as mentioned in the PwC’s resignation letter; and
- (3) to identify whether there were any inappropriate actions by the directors, management and employees of the Group in connection with the process of obtaining the confirmation request letters leading to the discrepancies between the Reply Letters and the subsequent findings by PwC.

### **Key findings**

PwC identified six items in its resignation letter that required further clarification from the Company as set out in items (a) to (f) on page 3 of the announcement of the Company dated 25 July 2022.

The findings of the Independent Investigation are set out below.

*Item (a)- The specific circumstances, relevant explanations and materials for the addition of the seal of the third-party and/or special arrangements for pledges, fund transfers and counter-guarantees regarding the above-mentioned seven bank accounts, including but not limited to:*

- (i) reasons for adding the seal of the third-party to the bank’s reserved seal and whether the arrangement may lead to restrictions on the use of funds in the relevant bank accounts*

In December 2021, it was then intended that the relevant subsidiaries would enter into joint venture arrangements for property development with an investor. For the protection of his interest, the investor requested that he be added as an additional signatory to the relevant bank accounts. However, the joint venture did not materialise and the investor was never added as a signatory.

- (ii) all contractual agreements signed between the Company, the Bank and third parties involved in the special arrangements such as the addition of the seal of the third-party, pledges, fund transfers and counter-guarantees, the actual flow of relevant fund transfers and other relevant information*

In 2021, seven onshore subsidiaries of the Company were holders of the Deposits in the aggregate amount of RMB4,910,000,000. The term of the Deposits ranged from approximately eight months to twelve months except for one that had a term of more than twelve months.

The arrangement to which the Deposits was subject involved the pledge of the Deposits to obtain funds from the Bank. The arrangement is set out below.

- (1) The relevant subsidiaries pledged the Deposits to the Bank.
- (2) Against the pledge, the Bank would issue banker's acceptance to certain trading companies. The trading companies were selected and introduced to the Group by the Bank. The payees of the banker's acceptance comprised suppliers of these trading companies as the issuer. After receipt of the banker's acceptance, the payees would present the banker's acceptance to another financial institution for payment. To the best of the Company's knowledge, the ultimate beneficial owners of the issuers, the payees and the financial institutions are not connected persons of the Company.
- (3) The payees would remit the amount to certain business partners of the Group, including suppliers or joint venture partners of the Group, which would in turn remit the same amount to members of the Group.
- (4) The Group was responsible for paying the payees the difference between the stated amount of the banker's acceptance and the actual payment received by the payees on presenting the banker's acceptance. The difference represents the interest that the financial institution would charge for providing the funds to the payees.
- (5) Upon maturity of the Deposits, the Bank will release the Deposits and repay the stated amount of the banker's acceptance against the Deposits.

To ensure that the amount drawn under the banker's acceptance would be remitted to the Group, the Group entered into agreements with the issuer of the banker's acceptance and the relevant business partners of the Group such that senior employees of the Group were physically present when the banker's acceptance was presented for payment and immediately deposited into the accounts controlled by the Group. (the "**Safeguard**").

- (iii) the Company's internal control and approval process, approval documents and relevant handling and approval personnel for contract agreements and special arrangements of a similar nature; the background of all parties involved in the aforementioned matters and whether such parties are related parties of the Group; and the business rationale for the aforementioned transactions and arrangements*

## Approvals

The framework contract which outlined the arrangement referred to in item (a)(ii) was approved by members of the senior management, including the chief financial officer, the general legal counsel, and two executive directors of the Company. The approved amount for deposit must not exceed RMB6 billion.

Based on the approval of the framework contract, the entering into the fixed – deposit arrangement and the charge on the Deposits referred to in item (a)(ii)(1) were individually approved by the chief financial officer and an executive director. Based on the abovementioned approval, the officers in charge of the use of company seals of the relevant subsidiaries released the company seals for use in entering into the arrangement.

Based on the approval of the framework contract, the entering into the arrangement referred to in item (a)(ii)(2) above was approved by the chief financial officer and an executive director, the general legal counsel and senior finance manager. Based on the abovementioned approval, the officer in charge of the use of company seals of the subsidiaries released the company seals for use in entering into the arrangement.

## Commercial rationale

From the Company's perspective, the arrangement was intended to provide the Group with liquidity in the tight liquidity environment in 2021. The commercial rationale is that it allowed the Group to obtain funding from the Bank while not utilizing the Group's borrowing quota and to preserve the cash position of the Group, which is a factor that will be taken into account when the Group bids for land at auctions. Furthermore, given that the interest rate charged by the financial institution that took up the banker's acceptance was lower than the rate that was paid on the Deposits, the Group would benefit from the difference in the interest rates. With the Safeguard in place, the Company considered that the commercial risk was minimal.

*Item (b)- the reasons and explanations for the differences between the seven Reply Letters as received in March 2022, which indicated that there was no freezing, guarantee or other restrictions over the use of the bank deposits, and the Company's understanding as currently notified that there are special arrangements such as pledges, fund transfers and counter-guarantees in relation to the above-mentioned bank accounts*

The finance managers of the relevant subsidiaries were involved in the preparation of the information to be set out in the request letters. Given the arrangement (and in particular, the pledging of the Deposits) concerned the capital management of the Group which is handled by the treasury department, the finance managers at the subsidiary level were not involved. Hence, they were not aware of the pledge of the Deposits.

*Item (c)- whether material and information previously provided to PwC by relevant personnel of the Company for filling in the seven Bank Confirmation Letters were consistent with the relevant records and known information of the Company; whether there were special arrangements such as pledges, fund transfers and counter-guarantees over the bank deposits at the end of the year (including the aforementioned bank deposits of RMB4,910.03 million) that were known to the Company but had not been disclosed to PwC in a timely manner; and the reasons for such instances*

As explained in item (b), the discrepancy resulted from the lack of communication between the finance department of the Group and its treasury department.

*Item (d)- whether any Company personnel contacted the account manager of the Bank about the seven Bank Confirmation Letters to understand why the seven Bank Confirmation Letters were not handled by the centralised operation center as designated by the Bank, as well as the reasons for the abnormalities regarding the Reply Letters*

The officer of the treasury department of the Group contacted two account managers of the Bank for the information in relation to the bank confirmation requests. The Group provided the relevant contact information of the Bank to PwC (including the address, the relevant department (the operations department) and the name of the account manager), which was consistent with the information set out in the official website of the Bank as of November 2021. The relevant information was also consistent with the information provided to PwC in the previous years for the audit.

However, unknown to the Group, since November 2021, the Bank has been in the process of upgrading its various systems, including the setting up of a centralised bank confirmation handling center. Records of receipt and the issuance of bank confirmations would only be kept if they were handled by the centralised bank confirmation center.

The seven request letters were sent to, and handled by, the operations department of the Bank, as opposed to its centralised bank confirmation center. As such, when PwC made enquiries with the centralised bank confirmation center, the center could not confirm receipt of the request letters or the issuance of the Reply Letters.

*Item (e)- whether the Company had other similar financial restrictions or business arrangements that have not been disclosed to PwC*

The Company had no other financial restrictions or business arrangements as at 31 December 2021 that had not been disclosed to PwC, save as disclosed in item (a)(ii) above. Please refer to the additional audit work performed by Elite Partners in the section headed “**Elite Partner’s assessment**” below.

Since the last of such arrangements entered into in early December 2021, the Group has not entered into similar arrangements with the Bank or any other bank. In December 2022, the Bank has released all the Deposits against the Company’s payment in full of the banker’s acceptance. As at 31 December 2022, the restricted cash of the Group did not comprise any deposits charged to any banks in connection with arrangements similar to that of the Deposits. There is no arrangements similar to that of the arrangements of the Deposits subsisting on any deposits of the Group. In the future, the Group does not intend to enter into such arrangements.

*Item (f)- PwC needed to resend the seven Bank Confirmation Letters and determine further audit procedures to be implemented based on the replies and the follow-ups to the above-mentioned issues*

Elite Partner, the auditor of the Company, has resent the seven request letters to the centralised bank confirmation center of the Bank. Mazars has reviewed the seven request letters and the replies from the Bank. It has also contacted the Bank to verify whether the request letters were received and the replies issued. The Bank has confirmed receipt of the request letters and the issuance of the replies. Mazars did not find any inconsistency with its findings on the arrangement and the Deposits.

### **The Independent Committee's assessment**

The Independent Committee is satisfied that the Issue has been addressed as the nature of the Deposits has been clarified.

The Independent Committee considered that the Independent Investigation was adequate for the following reasons.

- (1) The Independent Investigation covered every contract under the arrangement to which the Deposits were subject to.
- (2) The fund flow for the Deposits could be clearly traced and all amounts could be accounted for.
- (3) Mazars conducted background checks on all the entities and individuals involved in the arrangement to ensure none of them are connected persons of the Company.
- (4) Mazars was able to contact and carry out interviews with all the key personnel involved in the arrangement, including those who have since left the Group for personal reasons.

The Independent Committee considered that no additional procedures would be required for the following reasons:

- (1) The total amount of cash as at 31 December 2021 as audited is the same as that disclosed in the Company's unaudited accounts. There was no misappropriation of funds.
- (2) The Issue resulted from a lack of communication between the different departments of the Group and the transitional arrangement at the Bank, of which the Group was not aware at the material time. It did not involve any dishonesty of any of the Group's personnel.

## **Listing Rules Implications**

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the issuers, the payees and the financial institutions referred to in the section headed "Key findings" and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The provision of security (in the form of pledge of the Deposits) to the Bank for the issuance of bankers' acceptance to third parties constituted financial assistance under Rule 14.04(1) (e) of the Listing Rules. As the highest applicable percentage ratio in respect of the total amount of the Deposits exceeds 100%, the pledge of the Deposits should have been subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company did not comply with the requirements with respect to the provision of financial assistance under Chapter 14 of the Listing Rules.

At the relevant time, the Company did not consider the pledge of the Deposits on a stand-alone basis. It considered that the pledge of the Deposits was part and parcel of the arrangement described in paragraph (ii) under the section headed "Key findings" of this announcement, and the sole objective of the arrangement was to enable the Group to obtain funds from the Bank for its own benefits. As such, the Company took the view that the requirements under Chapter 14 of the Listing Rules should not apply and hence were not complied with.

Given that (1) the pledge of the Deposits has been released; (2) the Group does not intend to enter into similar arrangements in the future; and (3) all material information relating to the arrangement has been set out in this announcement, no circular will be despatched to the Shareholders.

While the Group does not intend to enter into similar arrangements in the future, having considered the updated internal control measures set out in the section headed "Internal Control" below, the Board is of view that there are sufficient safeguards in place to effectively prevent the occurrence of similar incidents in the future.

### **Internal control**

At the relevant time, the Company had the following internal controls in place:

- (1) All the financing arrangements with banks for day-to-day operations of the Group (including project development, working capital loans, fixed deposits, mortgage loans for investment properties) should be approved by an executive director and the chief executive officer of the Company.
- (2) All the financing arrangements (including any structured financing) with non-bank institutions should be approved by the Board if the relevant amount exceeds RMB800 million or the relevant interest rate per annum exceeds 10%. All other financing arrangements must be approved by the executive director and chief executive officer of the Company.

Going forward, the Company would implement the following additional measures:

- (i) All the financing arrangements with banks referred to in (1) above must be approved by all the executive Directors.
- (ii) All the financing arrangements that may require disclosure under Chapter 13 or Chapter 14 of the Listing Rules must be approved by the Board.
- (iii) To ensure that the request letters are sent to the correct department of the relevant bank, a database will be prepared. The database will be first be prepared by employees of the Group who are the authorised contact person of the relevant bank. The database will include information on the bank account, contact information of the account manager, the address and recipient of request letters. The information will not only be confirmed by the account manager, the relevant employee will also conduct independent check (including making enquiries using the bank hot-line and online verification) with the relevant bank. The database must be updated on a quarterly basis.
- (iv) To ensure that the information to be provided to the auditor is correct, the information so provided will be prepared by the relevant finance officers of the subsidiaries as it has been in the past. It will then be reviewed by the senior officers of the accounts department, the treasury department and one of the financial controllers of the Group.
- (v) To further enhance the communication and transparency between the different departments of the Group, the Company would implement the following measures:
  - (a) At the monthly meeting of the finance department in which the treasury department would take part, the different departments must update each other on the material matters that are on-going.
  - (b) Material information (including documents, materials, forms and email records) must be saved and filed properly in electronic format on the shared database of the finance department so that it will be accessible by key personnel.
- (vi) The Company would arrange for trainings, and keep training records, on a bi-annual basis for the management and employees of the Group to stay abreast of the Company's policies, the requirements under the Listing Rules (including the required disclosure in a timely manner) and other relevant rules and regulations to which the Group is subject.

### **Elite Partner's assessment**

Elite Partner is satisfied that the Issue has been addressed as the nature of the Deposits has been clarified.

Elite Partner considered that the Independent Investigation was adequate and no additional procedures would be required for the following reason.

In addition to the Independent Investigation, Elite Partners carried out its independent audit work in connection with the Deposits. There was no discrepancy in its findings and the conclusion of the independent investigation. The audit work involved the following.

- (1) It has re-issued the request letters to, and received the replies, from the Bank. There was no discrepancy between the findings of the investigation, the confirmations received from the Bank and the information provided by the Company.
- (2) In addition to the confirmations, it has obtained copies of the certificates evidencing the genuineness of the Deposits, the agreements involved in the arrangement including copies of certain banker's acceptance and verified the fund flow.
- (3) It has conducted background check on the parties involved in the arrangement and found that none of them were connected persons of the Company.
- (4) It has conducted interviews with various key persons who were involved in the arrangement, including directors and finance officers of the Group involved in the arrangement, the account manager of the Bank's Guangzhou branch and the deputy general manager of the Bank's Shanghai branch. It did not identify any discrepancy between any of the interviewees.

### **3. RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 1 June 2022. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 14 March 2023.

By order of the Board  
**Jingrui Holdings Limited**  
**Yan Hao    Chen Xin Ge**  
*Co-chairmen*

Hong Kong, 13 March 2023

*As at the date of this announcement, the Board of Directors of the Company comprises Yan Hao, Chen Xin Ge, Xu Hai Feng and Chen Chao, as executive Directors; Han Jiong, Qian Shi Zheng and Lo Wing Yan William, as independent non-executive Directors.*

\* *For identification purpose only*