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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)

VOLUNTARY ANNOUNCEMENT LETTER OF INTENT IN RELATION TO THE ESTABLISHMENT OF A FUND OF FUNDS

This announcement is made by SFund International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to update its shareholders and potential investors on its latest business development.

THE LETTER OF INTENT

The board (the “**Board**”) of directors of the Company is pleased to announce that on 8 June 2020, Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd* (“**Hunan Huiyin Tianxing**”) (湖南匯垠天星股權投資私募基金管理有限公司), a 51%-owned subsidiary of the Company, and Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd* (“**Guangzhou Huiyin Tianyue**”) (廣州匯垠天粵股權投資基金管理有限公司), a parent company of SFund International Investment Fund Management Limited (the substantial shareholder of the Company), entered into a letter of intent (the “**Letter of Intent**”) in respect of the establishment of a fund of funds (the “**FoF**”).

Proposed terms of the FoF are summarised below:

Type	:	Fund of funds
Form	:	Limited partnership
Size	:	RMB1 billion
Term	:	Investment period of 5 years and divestment period of 2 years

The term of the FoF may be extended as agreed by the partners.

* For information purposes only

- General partner** : Hunan Huiyin Tianxing as a general partner preliminary agreed to contribute a capital of RMB10,000 to the FoF.
- Limited partner(s)** : (i) Guangzhou Huiyin Tianyue or its designated party(ies) as a limited partner preliminary agreed to contribute a capital of not more than RMB200 million to the FoF; and
- (ii) Hunan Huiyin Tianxing shall be responsible for sourcing capital from potential limited partner(s) and it is currently negotiating with the potential limited partner(s) for the capital contribution. As at the date of this announcement, no letter of intent has been signed.
- Management fee** : Subject to the formal partnership agreement to be entered into between parties, Hunan Huiyin Tianxing (the general partner) as a fund manager is entitled to receive a management fee of 2% per annum of the aggregate paid-up capital.
- Investment objective and scope** : The investment objective of the FoF is to invest in the sub-funds with investments relating to high-growth and high-potential industries, including but not limited to environmental, education, modern farming, information technology, intelligent transport, smart city, high-end manufacturing and emerging industries.
- Investment in each sub-fund and industry is to be confirmed in the formal partnership agreement.
- Investment decision** : The investment decision committee which shall comprise five members and shall be responsible for decision-making on investment matters by unanimous vote by the committee members.
- The decision mechanism is to be confirmed in the formal partnership agreement.
- Risk management** : (i) each partner is required to go through all internal procedures before submitting the investment project to the investment decision committee; and
- (ii) a professional commercial bank shall be appointed to provide fund custody service, such as provision of account management, liquidation of funds and assets management, and to monitor the investment activities.

- Distribution of profit** : The FoF shall bear all relevant expenses relating to its formation, operation, termination, dissolution and liquidation. The distribution of profit is to be confirmed in the formal partnership agreement.
- Investment strategy** : The FoF shall primarily invest in the sub-fund(s) as a limited partner, and/or invest in a target directly. The proportion for the investment in sub-fund(s) and target(s) is to be confirmed in the formal partnership agreement.
- Procedures for investment** : The procedures for investment are set out below:
- (i) identification of the target;
 - (ii) preliminary assessment and due diligence of the target;
 - (iii) project initiation;
 - (iv) assessment and decision-making by the investment decision committee;
 - (v) investment in the project;
 - (vi) management of the investment; and
 - (vii) divestment.
- Management of the fund** : Fund manager shall manage the FoF and shall be responsible for monitoring daily operation of the FoF, and the communication with the fund manager of the sub-fund(s) for the project investments.
- Divestment** : Divestment of the FoF shall be made by way of transferring the shares of sub-fund(s), distribution of profits and liquidation of the sub-fund(s).

The Letter of Intent only serves as a guidance for the cooperation between the parties for the establishment of the FoF. The establishment of the FoF is subject to further negotiation and the execution of the formal partnership agreement between the parties. The Letter of Intent shall create no legal and binding obligations on the parties thereto.

GENERAL

The Board is of the view that the establishment of the FoF contemplated in the Letter of Intent is in line with the development strategies of the Group and, if materialises, will improve the Group's performance and financial position, and therefore is in the interests of the Company and its shareholders as a whole.

The Board wishes to emphasise that the Letter of Intent is not legal-binding and no binding agreement in relation to the establishment of FoF has been entered into as at the date of this announcement. As such, the establishment of FoF may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 8 June 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.