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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)**

### **DISCLOSEABLE TRANSACTION INVESTMENT IN A COMPANY PRINCIPALLY ENGAGED IN PIG FARMING AND FOOD PROCESSING IN THE PRC**

#### **THE INVESTMENT**

On 13 January 2021, Hunan Huiyin Tianxing (a 51%-owned subsidiary of the Company) invested in Xingjiang Muge, a company principally engaged in pig farming and food processing in the PRC, through the Partnership, an entity which is established solely for the investment in Xingjiang Muge. Hunan Huiyin Tianxing as a limited partner of the Partnership and Zhongqing Henghui (a third party independent of the Company and its connected persons) as a general partner of the Partnership have contributed RMB20 million and RMB100,000 to the Partnership, respectively.

The terms of the Partnership Agreement were negotiated on an arm's length basis between the parties to the Partnership Agreement. The Directors are of the view that the terms of the Partnership Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Investment are more than 5% but all are less than 25%, the entering into of the Partnership Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## INTRODUCTION

On 13 January 2021, Hunan Huiyin Tianxing (a 51%-owned subsidiary of the Company) invested in Xingjiang Muge, a company principally engaged in pig farming and food processing in the PRC, through the Partnership, an entity which is established solely for the investment in Xingjiang Muge. Hunan Huiyin Tianxing as a limited partner of the Partnership and Zhongqing Henghui (a third party independent of the Company and its connected persons) as a general partner of the Partnership have contributed RMB20 million and RMB100,000 to the Partnership, respectively.

## PRINCIPAL TERMS OF THE INVESTMENT

Set out below are the principal terms of the Investment:

- Date of the Investment : 13 January 2021
- Parties of the Partnership : (i) Zhongqing Henghui, as a general partner and the Executive Partner of the Partnership; and  
(ii) Hunan Huiyin Tianxing, as a limited partner of the Partnership.
- Purpose of the Partnership : The Partnership is established solely for the investment in Xingjiang Muge, details of which are set out under the section headed “Information on Xingjiang Muge” below.
- Investment form of the Partnership : The Partnership has subscribed approximately 0.71% of the issued share capital of Xingjiang Muge.  
  
The capital of the Partnership shall not be used for revolving investment at any time after the investment period of the Partnership as stipulated in the Partnership Agreement.
- Size of the Partnership : RMB20.1 million
- Capital contribution : (i) Zhongqing Henghui, as a general partner, has contributed RMB100,000 to the Partnership, representing approximately 0.5% of the total capital contribution in the Partnership; and  
(ii) Hunan Huiyin Tianxing, as a limited partner, has contributed RMB20 million to the Partnership, representing approximately 99.5% of the total capital contribution in the Partnership.

The capital contribution in the Partnership was determined after arm’s length negotiations between the parties. The capital contributed by Hunan Huiyin Tianxing was funded by the internal resources of the Group.

The capital of the Partnership shall not be used for revolving investment at any time after the investment period of the Partnership as stipulated in the Partnership Agreement.

Investment period and terms of the Partnership : The term of the Partnership is ten years from the date of the incorporation of the Partnership, subject to any amendment, extension or reduction by the Executive Partner as agreed by the Partners.

The investment period of the Partnership is expected to be five years from the date of the capital contribution by the Partners, subject to the extension of two years as agreed by the Partners.

The Partnership shall exit the investment at the end of the investment period.

Management of the Partnership : Zhongqing Henghui, as the Executive Partner, is authorised to act on behalf of the Partnership and shall be responsible for the daily operation and management of the Partnership.

The Executive Partner has the rights to manage the affairs of the Partnership and make relevant decisions without the prior consent of the Partners, including but not limited to:

- (i) to invest, manage, use and dispose of the property of the Partnership, and to accept the supervision of other Partners;
- (ii) to take all actions necessary to maintain the legal existence of the Partnership and carry out business activities as a partnership;
- (iii) to open, maintain and cancel bank accounts and securities accounts of the Partnership, and to issue cheques and other payment vouchers;
- (iv) to engage a manager or other management firm to provide services for the Partnership in the management of investment, administration and daily operation, and to enter into agreements in relation to the management of investment, administration and daily operation of the Partnership;

- (v) to decide, for the benefit of the Partnership, to file, or respond to, a lawsuit, conduct arbitration, compromise and reconcile with disputing parties in order to resolve disputes between the Partnership and third parties; to take all possible actions to safeguard the property of the Partnership and reduce the risks that may be brought to the Partnership, the Partners and their property(ies) as a result of the business activities of the Partnership;
- (vi) to deal with tax-related matters of the Partnership in accordance with national tax administration regulations;
- (vii) to take other actions necessary to achieve the purpose of the Partnership, safeguard or fight for the legitimate rights and interests of the Partnership in compliance with the requirements of the laws of the PRC and the Partnership Agreement;
- (viii) to sign, deliver and execute documents on behalf of the Partnership;
- (ix) to perform procedures for changes in industrial and commercial registration within 15 days when there is a change in the Partnership; and
- (x) to engage in or enforce other authorities granted by laws of the PRC or the Partnership Agreement.

Pursuant to the Partnership Agreement, the Executive Partner shall be removed in accordance with the terms of the Partnership Agreement if the Partnership suffers material damages or significant debts and liabilities of which the Partnership is unable to repay or settle.

Zhongqing Henghui also acts as the manager of the Partnership and provides the investment and assets management services to the Partnership. Zhongqing Henghui will not be entitled to receive any management fee from the Partnership.

Investment decision-marking procedures : An investment decision committee which comprises three members, all of whom are appointed by Zhongqing Henghui, has been established. Any investment decisions shall be approved unanimously by all committee members. The investment decision committee is responsible for the decision making of the following matters:

- (i) investment of the Partnership;

- (ii) exit of the Partnership; and
- (iii) other matters to be proposed for consideration and approval by the investment decision committee.

Distribution of profit : Subject to the terms of the Partnership Agreement, distribution of profit shall be apportioned amongst the Partners based on the following order:

- (i) firstly, the returns shall be distributed to each partner according to the proportion of the paid-in capital of the Partnership contributed by each partner until the total amount of returns distributed to each partner is equal to the amount of the respective paid-up capital of the Partnership contributed by each partner;
- (ii) secondly, the remaining returns (after distribution of returns as stipulated in (i) above) shall be distributed to each partner according to the proportion of the paid-in capital of the Partnership contributed by each partner until each partner shall, based on their respective contribution of the paid-in capital of the Partnership, achieve certain return on investment as stipulated in the Partnership Agreement for the period from the date of the receipt of the paid-in capital to the date of distribution of the returns as mentioned in (i) above; and
- (iii) lastly, the remaining returns after distribution of the returns as stipulated in (i) and (ii) above (if any), shall be distributed amongst Partners according to the proportion of the paid-in capital of the Partnership contributed by them. Whereas, the limited partner shall distribute part of its entitlement to the general partner as the excess returns reward as stipulated in the Partnership Agreement. The Executive Partner shall be responsible for such distribution.

Dissolution of the Partnership : The Partnership shall be dissolved and liquidated under any of the following circumstances:

- (i) upon expiration of the term of the Partnership and the Partners decide to cease to operate;
- (ii) the investment period (including its extended period) of the Partnership terminated (for avoidance of any doubt, including its early termination) and all investment projects have been withdrawn or terminated;

- (iii) other reasons for dissolution as agreed by the Partners pursuant to the Partnership Agreement occur;
- (iv) all the Partners decide to dissolve;
- (v) the Partners did not have a quorum for at least 30 days;
- (vi) the purpose of the Partnership set forth in the Partnership Agreement has been realised or cannot be realised;
- (vii) the business license of the Partnership is revoked, or it is ordered to close down or revoked according to the laws of the PRC; and
- (viii) other reasons prescribed by laws and administrative regulations of the PRC

Exit of the Partnership : The Partnership shall adopt diversified exit strategies which include but not limited to initial public offering on the stock market, back door listing, being acquired or merged by industry-leading companies, transfer in private equity market and exit through the share buy-back by the management of the target company.

The manager of the Partnership may change the exit strategy based on the specific situations of the investee and the market as well as with reference to the advice of the limited partner(s) when appropriate.

## **INFORMATION ON THE PARTIES TO THE PARTNERSHIP AGREEMENT**

### **Information of Hunan Huiyin Tianxing**

The Group is principally engaged in the (i) provision of apparel supply chain management services and trading of apparel products; (ii) provision of fund management, asset management, financial advisory and securities; (iii) provision of loan financing; and (iv) investment in listed and unlisted investment.

Hunan Huiyin Tianxing is a company incorporated in the PRC and is a 51%-owned subsidiary of the Company. Hunan Huiyin Tianxing is principally engaged in provision of fund management.

## Information of Zhongqing Henghui

Zhongqing Henghui is owned as to 51% by Zhongqing Xintou Holdings Company Limited\* (“**Zhongqing Xintou**”) (中青信投控股有限責任公司) and as to 49% by Zhuhai Zhicheng Dingsheng Innovative Investment Partnership Enterprise (Limited Partnership)\* (“**Zhuhai Zhicheng**”) (珠海至誠鼎盛創業投資合夥企業(有限合夥)) respectively. Zhongqing Henghui is principally engaged in the provision of industrial fund management and private equity investment.

Zhongqing Xintou is a wholly-owned subsidiary of Tsinghua Unigroup Company Limited (紫光集團有限公司), which is owned as to 51% by Tsinghua University Holding Limited (清華控股有限公司) (a company ultimately owned by Ministry of Education of the PRC through Tsinghua University (清華大學)), and as to 49% by Beijing Jiankun Investment Group Company Limited\* (北京健坤投資集團有限公司) (a company ultimately owned as to 70%, 15% and 15% by Mr. Zhao Weiguo (趙偉國), Mr. Li Yi (李義) and Ms. Li Luyuan (李祿媛), respectively).

Zhuhai Zhicheng is owned as to 60.2% by Mr. Jian Jinhua (蔣錦華) and as to 39.8% by Ms. Wu Lifang (吳莉芳), respectively.

To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, Zhongqing Henghui and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## INFORMATION ON XINGJIANG MUGE

Xingjiang Muge is established under the laws of the PRC with limited liability in June 2017. It is principally engaged in pig farming and food processing in the PRC. It currently owns six pig farms located in Xinjiang Uygur Autonomous Region, Guangxi Province, Gansu Province and Qinghai Province, the PRC and two slaughterhouses in Xinjiang Uygur Autonomous Region, the PRC. To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, the management of Xingjiang Muge possesses over 10 years in the pig farming and/or related businesses.

Set out below is the unaudited consolidated financial information of Xingjiang Muge as prepared in accordance with the PRC General Accepted Accounting Principles for the two years ended 31 December 2019:

	<b>For the year ended 31 December 2018 RMB'000 (unaudited)</b>	<b>For the year ended 31 December 2019 RMB'000 (unaudited)</b>
Revenue	67,586	278,080
Net profit before taxation	1,093	106,477
Net profit after taxation	1,089	105,955

The unaudited consolidated net asset value of Xingjiang Muge was RMB765,790,300 as at 30 June 2020.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE PARTNERSHIP AGREEMENT**

The Group has been looking for potential investment opportunities to develop and expand its existing financial business. In view of (i) the historical growth of the pig farming industry in the PRC and particularly the increasing price of pork; and (ii) the extensive experience possessed by the management of Xingjiang Muge, the Directors consider the investment in Xingjiang Muge through the establishment of the Partnership would provide an opportunity for the Group to diversify its business portfolio, which is aligned with Group's business strategy.

The terms of the Partnership Agreement were negotiated on an arm's length basis between the parties to the Partnership Agreement. The Directors are of the view that the terms of the Partnership Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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## **DEFINITIONS**

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

“Board”	board of the Directors
“Company”	SFund International Holdings Limited, a company incorporated in Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hunan Huiyin Tianxing”	Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd* (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
“Investment”	the capital contribution of RMB20 million by the Company to the Partnership



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partners”	the general partner and the limited partner of the Partnership, namely Zhongqing Henghui and Hunan Huiyin Tianxing, respectively
“Partnership”	The Sixth Investment Partnership Enterprise of Zhuhai Zhongqing Henghui (Limited Partnership)* (珠海中青恒輝六期投資合夥企業(有限合夥)), a partnership established under the laws of the PRC pursuant to the Partnership Agreement
“Partnership Agreement”	a partnership agreement entered into between Zhongqing Henghui and Hunan Huiyin Tianxing in relation to the Partnership which became effective on 13 January 2021
“PRC”	the People’s Republic of China and for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xingjiang Muge”	Aksu Xingjiang Muge Food Company Limited* (阿克蘇興疆牧歌食品股份有限公司), a target company invested by the Partnership
“Zhongqing Henghui” or “Executive Partner”	Zhongqing Henghui Asset Management Company Limited* (中青恒輝資產管理公司), a company established under the laws of the PRC with limited liability
“%”	per cent.

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

Hong Kong, 13 January 2021

*As at the date of this announcement, the executive Directors are Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Yu Wenhao, Ms. Wang Mengsu, Mr. Lin Qiansheng 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.*

\* *The English translation of Chinese names or words in this announcement are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*