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*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 363)**

## **CONNECTED TRANSACTION**

### **FORMATION OF PARTNERSHIP**

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The Board is pleased to announce that, on 20 November 2020, SI Development (a non-wholly owned subsidiary of the Company, as a Limited Partner) entered into the Partnership Agreement with Sichuan HCIIM (as the General Partner), SIIC VC (as a Limited Partner) and Sichuan DEIF (as a Limited Partner), pursuant to which the Partnership is formed to set up the Fund to invest principally in artificial intelligence industries, covering technical fields such as advanced artificial intelligence technologies, applications of artificial intelligence technologies and integration of artificial intelligence technologies in traditional industries.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, SIIC is the controlling shareholder of the Company holding approximately 62.53% of the entire issued capital of the Company, and is therefore a connected person of the Company. SIIC exercises the authority as a state-owned shareholder of SIIC Shanghai, which indirectly holds 100% equity interest in SIIC VC. SIIC VC is therefore an associate of SIIC and a connected person of the Company.

In addition, as at the date of this announcement, Sichuan HCIIM is owned as to 30% by Shanghai VCFM, which is an indirect non-wholly owned subsidiary of SIIC VC (which in turn is a wholly-owned subsidiary of SIIC). Accordingly, Sichuan HCIIM is also an associate of SIIC and a connected person of the Company.

Accordingly, the Formation of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the capital contribution under the Formation of the Partnership are less than 5%, the Formation of the Partnership is only subject to the reporting and announcement but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT**

The rights and obligations of the Partners are governed by the Partnership Agreement, the principal terms of which are summarised as follows:

Parties	: 1. Sichuan HCIIM (as the General Partner); 2. SI Development (a non-wholly owned subsidiary of the Company, as a Limited Partner); 3. SIIC VC (as a Limited Partner); and 4. Sichuan DEIF (as a Limited Partner).
Name of the Partnership	: 四川川滬合作創新股權投資基金合伙企業(有限合伙) (Sichuan Chuanhu Cooperative Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*)
Term of the Partnership	: Ten years from the date of the first business registration certificate of the Partnership
Fund manager	: The manager shall be Shanghai VCFM (an indirect non-wholly owned subsidiary of SIIC)
Purpose and business scope of the Partnership	: The purpose of the Partnership is to invest principally in artificial intelligence industries, covering technical fields such as advanced artificial intelligence technologies, applications of artificial intelligence technologies and integration of artificial intelligence technologies in traditional industries

Capital contribution : The total capital contribution by all Partners to the Partnership shall be RMB610,000,000, being the initial subscription scale of the Fund. The capital contribution to be made by each of the Partners is as follows:

<u>Partner</u>	<u>Type</u>	<u>Capital contribution (RMB)</u>	<u>Approximate percentage of interest in the Partnership (%)</u>
Sichuan HCIIM	General Partner	10,000,000	1.64
SI Development	Limited Partner	100,000,000	16.39
SIIC VC	Limited Partner	200,000,000	32.79
Sichuan DEIF	Limited Partner	300,000,000	49.18
<b>Total:</b>		610,000,000	100.00

The respective contribution to the Partnership is determined after arm's length negotiations between the Partners with reference to the proposed capital requirements of the Partnership and the parties' proportionate interests therein.

Each of the Partners shall make its respective capital contribution as follows:

- (1) initial contribution, representing 50% of its respective capital contribution under the Partnership Agreement, shall be made to the Partnership according to the requirements as stated in the demand notes (including the payment deadline) to be issued by the Manager. The payment deadline for the initial contribution shall be no later than one month after the date of establishment of the Partnership; and
- (2) final contribution, representing 50% of its respective capital contribution under the Partnership Agreement, shall be made to the Partnership according to the requirements specified in the demand notes (including the payment deadline) to be issued by the Manager upon prior consultation with the General Partner. The demand notes shall be issued to all Partners at least 10 days prior to the prescribed payment deadline.

The capital contribution to be made by SI Development will be funded by the Group's internal resources.

Management : The Partnership will appoint the Manager to provide management services to it and pay the Manager for such services an annual management fee of not more than 2% of the total paid-up capital of the Partnership. The Partnership, upon its establishment, may enter into an entrustment management agreement with the Manager specifying the terms of the investment management services and the associated management fees.

The Manager shall be responsible for establishing an investment decision committee comprising five members. Each of SIIC and Sichuan Development Fund shall be entitled to appoint two members, while the Manager shall be entitled to appoint one member. The investment decision committee shall be the highest governing body of the Partnership and responsible for reviewing and approving investment to be made by the Partnership. An investment decision involving a total consideration not exceeding RMB50,000,000 shall be approved by at least three members of the investment decision committee, whereas an investment decision involving a consideration exceeding RMB50,000,000 but which is less than 20% of the total capital contribution of the Partnership shall be approved by at least four members of the investment decision committee, provided that such investment shall not constitute a connected transaction of the Partnership.

Distribution of profit and loss sharing : Distributable investment income shall be distributed in the following order:

- (1) distribution shall first be made to each of the Limited Partners in proportion to its respective paid-up capital contribution until all the Limited Partners have recovered their respective paid-up capital contribution;
- (2) distribution shall then be made to the General Partner until the General Partner has recovered its paid-up capital contribution;
- (3) distribution shall then be made to each of the Limited Partners until the cumulative amount received by each of the Limited Partners reaches an amount equivalent to a single interest of 9% per annum on its respective paid-up capital contribution (the “**Third Distribution**”);
- (4) distribution shall then be made to the General Partner until the cumulative amount received by the General Partner reaches an amount equivalent to a single interest of 9% per annum on its paid-up capital contribution (the “**Fourth Distribution**”);

- (5) distribution shall then be made to the General Partner which shall be equivalent to 20% of the total amount of the investment income received by all Partners under the Third Distribution and the Fourth Distribution; and
- (6) out of the remaining investment income (if any), 20% shall be distributed to the General Partner while the remaining 80% shall be distributed among the Limited Partners in proportion to their respective paid-up capital contribution.

The General Partner and the Manager should use their best endeavours to realise the investment and avoid any non-cash distribution.

Any losses shall be shared by all Partners in proportion to their respective actual capital contribution, provided that the liabilities of the Limited Partners are limited to their agreed capital contribution to the Partnership whereas the General Partner assumes unlimited liability.

## **INFORMATION ON THE GROUP, THE PARTNERSHIP AND THE PARTNERS**

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

The Partnership is a limited partnership established under the laws of the PRC. The purpose of the Partnership is to establish the Fund to engage in investment business. As the Partnership is newly formed, no financial information or past performance of the Partnership is available for disclosure in this announcement.

SI Development is a non-wholly owned subsidiary of the Company. It is principally engaged in real estate development, real estate operation and management, and provision of consulting services in relation to real estate business.

SIIC VC is an indirect wholly-owned subsidiary of SIIC, which exercises the authority as a state-owned shareholder of SIIC Shanghai. It is principally engaged in venture capital investment, acting for other venture capital companies and other institutions or individuals in venture capital, venture capital consulting, provision of venture capital management services, and participation in the establishment of venture capital enterprises and venture capital management consulting institutions.

Based on the information available to the Company, Sichuan HCIIM is a company established in the PRC with limited liability and owned as to 40%, 30% and 30% by Sichuan EMP, Shanghai VCFM and Sichuan EIFM, respectively. It is principally engaged in investment and asset management, consulting and investigation, corporate image planning and marketing. Sichuan EMP is a company established in the PRC with limited liability and is owned as to approximately 56.1% and 43.7% by Mr. Zhang Shudong and Mr. Cui Zheng, respectively, who are third parties

independent of the Company and its connected persons, and as to approximately 0.3% by Shanghai GRAM (which in turn is owned by 11 individuals who are third parties independent of the Company and its connected persons). Shanghai VCFM is a company established in the PRC with limited liability and is owned as to approximately 64% by SIIC VC. Sichuan EIFM is a company established in the PRC with limited liability and its ultimate shareholder is the People's Government of Sichuan Province.

Based on the information available to the Company, Sichuan DEIF is a company established in the PRC with limited liability its ultimate shareholder is the People's Government of Sichuan Province. It is principally engaged in equity investment in non-listed corporations and non-publicly issued shares of listed corporations, and relevant advisory services.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE PARTNERSHIP**

The Group has endeavoured to explore opportunities for potential investments with a view to generating revenue and achieving better returns for its shareholders. The Directors believe that the Formation of the Partnership represents a good investment opportunity for the Group to diversify the Group's investment portfolio and generate stable income for the Group. The Directors believe that such development complements the Company's strategic layout in relation to investment in emerging businesses.

In addition, the Formation of the Partnership to invest in artificial intelligence industries will lay a foundation for SI Development to further explore the potential of artificial intelligence. Furthermore, it can take this opportunity to participate in the development of high-quality artificial intelligence enterprises in Sichuan and Shanghai, and make contribution to the development of Shanghai as a science and technology innovation centre and the building of artificial intelligence "Shanghai Highland".

The Directors (including the independent non-executive Directors) consider that the terms of the Formation of the Partnership are on normal commercial terms, albeit not in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Formation of the Partnership and no Director is required to abstain from voting on the board resolution(s) approving the same. However, Mr. Shen Xiao Chu, an executive director and the chairman of SIIC; Mr. Zhou Jun, an executive director and president of SIIC and Mr. Xu Bo, an executive director and a vice president of SIIC, have voluntarily abstained from voting in such board resolution(s).

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In addition, as at the date of this announcement, Sichuan HCIIM is owned as to 30% by Shanghai VCFM, which is a non-wholly owned subsidiary of SIIC VC. Accordingly, Sichuan HCIIM is also an associate of SIIC and a connected person of the Company.

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## DEFINITIONS

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

“associate”, “connected person”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	directors of the Company
“Formation of the Partnership”	the formation of the Partnership contemplated under the Partnership Agreement
“Fund”	四川川滬合作創新股權投資基金合夥企業(有限合夥) (Sichuan Chuanhu Cooperative Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*)
“General Partner”	the general partner of the Partnership, namely Sichuan HCIIM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partner(s)”	the limited partner(s) of the Partnership

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	the manager of the Fund, namely Shanghai VCFM
“Partners”	the partners of the Partnership, including the General Partner and the Limited Partners
“Partnership”	四川川滬合作創新股權投資基金合伙企業(有限合夥) (Sichuan Chuanhu Cooperative Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*), a limited partnership established under the laws of the PRC
“Partnership Agreement”	the partnership agreement dated 20 November 2020 and entered into among Sichuan HCIIM (as the General Manager), SI Development (as a Limited Partner), SIIC VC (as a Limited Partner) and Sichuan DEIF (as a Limited Partner) in relation to the Formation of the Partnership and the rights and obligations of the Partners
“PRC”	the People’s Republic of China (for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai GRAM”	上海國瑤銳創資產管理有限公司 (Shanghai Guorong Ruichuang Asset Management Co., Ltd.*), a company established in the PRC with limited liability
“Shanghai VCFM”	上海國際創投股權投資基金管理有限公司 (Shanghai International Venture Capital Fund Management Co., Ltd.*), a company established in the PRC with limited liability, a non-wholly owned subsidiary of SIIC and the manager of the Fund
“Sichuan Development Fund”	四川發展產業引導股權投資基金管理有限責任公司 (Sichuan Development Industry Led Equity Investment Fund Management Co., Ltd.*), a company established in the PRC with limited liability
“Sichuan DEIF”	四川企業改革發展股權投資基金合伙企業(有限合夥) (Sichuan Enterprise Reform and Development Equity Investment Fund Partnership Enterprise (Limited Partnership)*), a limited partnership established under the laws of the PRC



“Sichuan EIFM”	四川發展產業引導股權投資基金管理有限責任公司 (Sichuan Development Industry Guide Equity Investment Fund Management Co. Ltd*), a company established in the PRC with limited liability
“Sichuan EMP”	四川滬川企業管理合夥企業(有限合夥) (Sichuan Huchuan Enterprise Management Partnership Enterprise (Limited Partnership)*), a limited partnership established under the laws of the PRC
“Sichuan HCIIM”	四川川滬合作創新投資管理有限公司 (Sichuan Huchuan Cooperative Innovation Investment Management Co., Ltd.*), a company established in the PRC with limited liability
“SI Development”	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a company established in the PRC with limited liability and listed on the Shanghai Stock Exchange (SSE Stock Code: 600748), a non-wholly owned subsidiary of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai (Holdings) Co., Ltd.*), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it
“SIIC VC”	上海上實創業投資有限公司 (SIIC Shanghai Venture Capital Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of SIIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*\*For identification purposes only.*

By Order of the Board  
**Shanghai Industrial Holdings Limited**  
**Yee Foo Hei**  
*Company Secretary*

Hong Kong, 20 November 2020

*As at the date of this announcement, the Board comprises:*

*Executive Directors:*

*Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan*

*Independent Non-Executive Directors:*

*Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis*