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首程控股有限公司
SHOUCHENG HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF FUND MANAGEMENT SERVICES**

THE PARTNERSHIP AGREEMENT

On 20 September 2022, Shouyuan Investment, a wholly-owned subsidiary of the Company, as a Limited Partner, entered into the Partnership Agreement with Shougang Industrial Investment as the General Partner and Executive Partner, and Shougang Fund and Shijingshan Fund Co., each as a Limited Partner, for the establishment of the Partnership in the form of limited partnership.

Pursuant to the Partnership Agreement, the Partners unanimously agreed that Jingxi Venture shall be the Manager of the Partnership. It is proposed that the Partnership, Shougang Industrial Investment (as the Executive Partner) and Jingxi Venture (as the Manager) shall enter into the Proposed Entrusted Management Agreement upon the establishment of the Partnership in respect of the appointment of Jingxi Venture as the Manager of the Partnership and the provision of the Fund Management Services by Jingxi Venture to the Partnership for the Management Fee in return.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shougang Group indirectly holds approximately 34.96% of the issued Shares and therefore is a substantial Shareholder and a connected person of the Company. Shougang Fund is a wholly-owned subsidiary of Shougang Group and indirectly holds approximately 12.61% of the issued Shares, and therefore is a substantial Shareholder and a connected person of the Company. Shougang Industrial Investment is a wholly-owned subsidiary of Shougang Group and therefore is a connected person of the Company.

As Shougang Industrial Investment is the General Partner of the Partnership, the Partnership established will be an associate of Shougang Industrial Investment and Shougang Group, and therefore will be a connected person of the Company.

Accordingly, the entering into of the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, and the provision of Fund Management Services by Jingxi Venture to the Partnership constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Company's capital commitment under the Partnership Agreement are less than 0.1%, the establishment of Partnership and the subscription of interest in the Partnership is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the annual caps on the Management Fee for the provision of Fund Management Services under the Partnership Agreement and the Proposed Entrusted Management Agreement is more than 0.1% but all are less than 5%, such transactions are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the Initial Term (being a fixed period of six (6) years) of the provision of Fund Management Services under the Proposed Entrusted Management Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the provision of Fund Management Services requires a term longer than three years and to confirm that it is normal business practice for provision of service of such type to be of such duration. The opinion of the Independent Financial Adviser has been set out in the section headed "OPINIONS FROM THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

THE PARTNERSHIP AGREEMENT

On 20 September 2022, Shouyuan Investment, a wholly-owned subsidiary of the Company, as a Limited Partner, entered into the Partnership Agreement with Shougang Industrial Investment as the General Partner and Executive Partner, and Shougang Fund and Shijingshan Fund Co., each as a Limited Partner, for the establishment of the Partnership in the form of limited partnership.

Principal terms of the Partnership Agreement are set out below:

Date : 20 September 2022

Parties : (i) Shouyuan Investment, as Limited Partner

(ii) Shougang Industrial Investment, as General Partner and Executive Partner

(iii) Shougang Fund, as Limited Partner

(iv) Shijingshan Fund Co., as Limited Partner

(1) ESTABLISHMENT OF THE PARTNERSHIP

Purpose and investment scope of the Partnership

The purpose of the Partnership is to focus on investing in science fiction related industries. The Partnership will principally invest in projects related to science fiction themes in advanced manufacturing, integrated circuits, software, intelligent driving, information technology, virtual reality, cultural creativity and consumer industries.

Term of the Partnership

The term of the Partnership (the “**Term**”) as a private equity fund has an initial term of six (6) years commencing on the Initial Closing Date (the “**Initial Term**”). The first four (4) years of the Initial Term shall be the investment period (the “**Investment Period**”) and the subsequent two (2) years shall be the exit period (the “**Exit Period**”). The Executive Partner has the right to extend the Term twice, each for one (1) year (collectively, the “**Extended Periods**”, each an “**Extended Period**”). Upon the expiration of the Extended Periods, upon the passing at the Partners’ Meeting, the Extended Periods can be further extended for such period approved at the Partners’ Meeting (the “**Further Extended Period**”).

Capital Commitment

The total capital commitment of the Partnership is RMB300 million, which shall be contributed by the Partners in cash as follows:

	Capital Commitment <i>RMB’000</i>	Percentage interest in the Partnership <i>(approximate)</i>
General Partner		
Shougang Industrial Investment	3,000	1%
Limited Partners		
Shouyuan Investment	6,000	2%
Shougang Fund	146,000	48.67%
Shijingshan Fund Co.	145,000	48.33%
Total	300,000	100%

The capital commitment shall be made by each Partner in instalments during the Investment Period. The Initial Closing Date shall be no later than 31 October 2022.

The amount of capital commitment of each Partner was arrived at after arm’s length negotiations among the Partners, having taken into account the expected capital requirements of the Partnership. It is contemplated that the capital commitment payable by Shouyuan Investment will be funded by internal resources of Shouyuan Investment.

(2) PROVISION OF FUND MANAGEMENT SERVICES

Manager of the Partnership

Pursuant to the Partnership Agreement, the Partners unanimously agreed that Jingxi Venture shall be the Manager of the Partnership. It is proposed that the Partnership, Shougang Industrial Investment (as the Executive Partner) and Jingxi Venture (as the Manager) shall enter into the Proposed Entrusted Management Agreement upon the establishment of the Partnership in respect of the appointment of Jingxi Venture as the Manager of the Partnership and the provision of the Fund Management Services by Jingxi Venture to the Partnership for the Management Fee in return.

Management Fee

Pursuant to the Partnership Agreement, the Partnership shall pay the Manager or its designated entity an annual Management Fee during the Term of the Partnership as follows:

- (i) from the establishment of the Partnership to the expiry of the Investment Period, the annual Management Fee shall be 2% per annum of the sum of the principals actually invested by the Partnership, which shall be calculated from the date of the investment decision resolution approved by the investment decision committee of the Partnership (“**Actual Invested Principals**”);
- (ii) during the Exit Period, the annual Management Fee shall be 1.5% per annum of the total unexited Actual Invested Principals of the Partnership’s invested projects; and
- (iii) during the Extended Periods, Further Extended Period and liquidation of the Partnership, no Management Fee shall be paid.

Annual caps and basis of determination

The annual Management Fee during the Initial Term of the Partnership will not exceed the following annual caps:

For the year ending 31 December	Annual Caps of Management Fee (RMB '000)
2022 <i>(Note 1)</i>	1,000
2023	6,000
2024	6,000
2025	6,000
2026	6,000
2027	4,500
2028 <i>(Note 2)</i>	3,375

Notes:

1. As the Initial Closing Date shall be no later than 31 October 2022, considering the operation and investment of the Partnership, the expected period for incurrence of the Management Fee is 2 months from 1 November 2022 to 31 December 2022.
2. As the Initial Term would expire in 2028, the proposed annual cap in 2028 is the cap for the period of the Initial Term which falls into the year 2028. The expected expiry date of the Initial Term is 30 September 2028.

The proposed annual caps have been calculated after taking into account the following principal factors and assumption: (i) different Management Fee rates in the Investment Period and the Exit Period; and (ii) capital paid-in progress, project investment and exit conditions, depending on the exact conditions of projects, and provide adequate buffer for the investment progress and invested principals of the Partnership in the future.

OPINIONS FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the Initial Term (being a fixed period of

six (6) years) of the provision of Fund Management Services under the Proposed Entrusted Management Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the provision of Fund Management Services requires a term longer than three years and to confirm that it is normal business practice for agreements of similar nature to be of such duration.

In assessing the reasons as to why the provision of Fund Management Services requires a term longer than three years, the Independent Financial Adviser has relied on the information set out in this announcement, and has taken into account the following factors considered by the management of the Company:

- (a) the long-term arrangement for the provision of the Fund Management Services is consistent with the relatively long-term investment duration of the Partnership and is not uncommon for private investment funds in the industry;
- (b) strict compliance with the three-year requirements in respect of the Fund Management Services will be unduly burdensome to the Group, taking into account the nature of partnership arrangement and the potential disruption to the business operations caused by discontinuance of such arrangement, and any unnecessary administration costs to the Company for the renewal of the Fund Management Services under the Proposed Entrusted Management Agreement by limiting its term to three years or less and/or any potential delay of renewal of the Fund Management Services as a result of further negotiation between the parties during the agreement renewal process;
- (c) the long-term arrangement protects the interests of the Company by minimising the risk of disruption to partnership arrangement and loss of management fee income during the Term of the Partnership; and
- (d) considering the nature and characteristics of the fund management industry which relies on the experience and expertise of the Manager in managing and operating the partnership, the long-term arrangement is expected to benefit the Group in terms of the operational consistency and stability in respect of the operation and management of the fund.

In considering whether it is normal business practice for agreements of a similar nature to the Fund Management Services to have a term of such duration, the Independent Financial Adviser has:

- (a) reviewed the full list of existing agreements in relation to fund management entered into between the Group and connected persons since 2020, and noted that the duration of such agreements ranged from seven years to twenty years, with the duration of the Fund Management Services being slightly lower than that of the existing agreements;
- (b) identified nine announcements issued by other companies listed on the Stock Exchange within one year prior to the date of this announcement, which involved the entering into of agreements in relation to the provision of fund management services and/or payment of fund management fee (or equivalent) (the “**Comparable Agreements**”), which the Independent Financial Adviser considered to be appropriate to reflect the recent market practices on agreements of similar nature; and
- (c) noted that (i) six out of nine Comparable Agreements carrying a term/duration of over three years, suggesting that it is not uncommon for fund management service to have a term/duration of three years or more; and (ii) the term/duration of the six Comparable

Agreements ranged from five to nineteen years, with the duration of the Fund Management Services falling within such ranges suggesting that it is not uncommon for agreements of similar nature to have a term/duration comparable to that of the Fund Management Services.

Based on the foregoing, the Independent Financial Adviser is of the opinion that (a) a term of longer than three years is required for the Fund Management Services; and (b) it is normal business practice for agreements of similar nature to be of such duration.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT AND THE PROPOSED ENTRUSTED MANAGEMENT AGREEMENT

The Company is committed to becoming a leader in the infrastructure asset management industry in the PRC, to innovatively build up the double-engine “REITs+intelligent operation center”, continuously increasing investment in scientific and technological innovations, and enhancing the full life cycle of infrastructure asset management through digital intelligence means.

Driven by modern science and technology, especially cutting-edge science and technology, and supported by industrial design, production and manufacturing, the science fiction industry covers a wide range of fields and has a large industrial scale. The establishment of the Partnership is conducive to promoting the upgrading of the Company’s management scale of various types of high-quality assets such as parking, industrial park and environmental protection, empowering the efficiency and quality of asset management, improving the construction of core capacities in the asset field, and creating business ecological synergy.

Based on the intelligent operation center, the Company strives to build a scientific and technological AI system, and the science fiction supporting industry focuses on exploring axis enterprises in the cutting-edge scientific and technological fields such as big data, artificial intelligence and intelligent travel. The establishment of the Partnership will help the Company timely understand the signals of upstream and downstream industrial chain changes in the infrastructure asset industry, so as to lay out investment opportunities in the field of parking, industrial parks, green environmental protection and other related industrial chains, and further develop the industry chain with big data AI and other cutting-edge technologies which could deeply empower various types of infrastructure assets, so as to organically integrate refined intelligent operation capabilities and high-quality industrial resources, to promote unmanned and intelligent applications inside and outside parking lots, industrial parks and environmental protection facilities and therefore improving asset management standards and service quality. Business innovation, reshaping asset value, and helping smart cities, not only meets users’ core interests, but the Group continues to give back the fruitful results of asset management to investors and the society.

INFORMATION OF THE GROUP AND THE PARTIES TO THE PARTNERSHIP AGREEMENT

The Group is principally engaged in infrastructure asset management.

Each of Shouyuan Investment and Jingxi Venture is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. Shouyuan Investment is an investment holding company. Jingxi Venture is principally engaged in the provision of management and consultancy services in relation to non-securities investment in the PRC.

Shougang Fund is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shougang Group (a state-owned enterprise established in the PRC with limited

liability and is ultimately owned by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Beijing Municipal People's Government*). It is principally engaged in investment, management and advisory of non-securities businesses.

Shougang Industrial Investment is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shougang Fund. It is principally engaged in investment and management, asset management and equity investment.

Shijingshan Fund Co. is a company established in the PRC with limited liability and is principally engaged in the provision of management and consultancy services in relation to non-securities investment in the PRC and technology promotion services. It is owned as to approximately 97.11% by 北京市石景山區國有資本投資有限公司 (Beijing Shijingshan State-owned Capital Investment Co., Ltd.*), which is in turn wholly-owned by 北京市石景山區人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the People's Government of Shijingshan District, Beijing*), and 2.89% by 太平國發禾和 (北京) 投資管理有限公司 (Taiping Guofahehe (Beijing) Investment Management Co., Ltd.*), which is in turn held by various diverse corporate shareholders, among which, more than one-third of its equity interest is held by 禾和眾燦 (北京) 投資顧問有限公司 (Hehe Zhongshuo (Beijing) Investment Consulting Co., Ltd.*), the ultimate beneficial owners of which are 章大雯 (Zhang Dawen*) (80%) and 崔國聯 (Cui Guolian*) (20%).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shijingshan Fund Co. and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shougang Group indirectly holds approximately 34.96% of the issued Shares and therefore is a substantial Shareholder and a connected person of the Company. Shougang Fund is a wholly-owned subsidiary of Shougang Group and indirectly holds approximately 12.61% of the issued Shares, and therefore is a substantial Shareholder and a connected person of the Company. Shougang Industrial Investment is a wholly-owned subsidiary of Shougang Group and therefore is a connected person of the Company.

As Shougang Industrial Investment is the General Partner of the Partnership, the Partnership established will be an associate of Shougang Industrial Investment and Shougang Group, and therefore will be a connected person of the Company.

Accordingly, the entering into of the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, and the provision of Fund Management Services by Jingxi Venture to the Partnership constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Company's capital commitment under the Partnership Agreement are less than 0.1%, the establishment of Partnership and the subscription of interest in the Partnership is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the annual caps on the Management Fee for the provision of Fund Management Services under the Partnership Agreement and the Proposed Entrusted Management Agreement is more than 0.1% but all are less than 5%, such

transactions are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the Initial Term (being a fixed period of six (6) years) of the provision of Fund Management Services under the Proposed Entrusted Management Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the provision of Fund Management Services requires a term longer than three years and to confirm that it is normal business practice for provision of service of such type to be of such duration. The opinion of the Independent Financial Adviser has been set out in the section headed "OPINIONS FROM THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

Mr. Zhao Tianyang and Mr. Xu Liang (the "Excluded Directors"), by virtue of their connection with Shougang Group, have abstained from voting on the Board resolutions proposed to approve the Partnership Agreement and the Proposed Entrusted Management Agreement and the transactions contemplated thereunder (including the provision of the Fund Management Services and its proposed annual caps). Save as disclosed, none of the Directors has any material interest in the Partnership Agreement and the Proposed Entrusted Management Agreement and the transactions contemplated thereunder (including the provision of the Fund Management Services and its proposed annual caps).

The Directors (including the independent non-executive Directors but excluding the Excluded Directors) consider that the terms of the Partnership Agreement and the Proposed Entrusted Management Agreement (including the provision of the Fund Management Services and its proposed annual caps) are fair and reasonable and the transactions contemplated under the Partnership Agreement and the Proposed Entrusted Management Agreement (including the provision of the Fund Management Services and its proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors;
"Company"	Shoucheng Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 697);
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Executive Partner"	the executive partner of the Partnership, initially being Shougang Industrial Investment;
"Fund Management"	the services for the daily operation and management of the Partnership provided by the Manager to the Partnership under

Services”	the Partnership Agreement and the Proposed Entrusted Management Agreement;
“General Partner”	the general partner of the Partnership, being Shougang Industrial Investment;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser for the purpose of Rule 14A.52 of the Listing Rules;
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company;
“Initial Closing Date”	the date specified on the capital contribution payment notice on which the first instalment of capital contribution is due to be made by the Partners pursuant to the terms of the Partnership Agreement;
“Jingxi Venture”	北京京西創業投資基金管理有限公司(Beijing Jingxi Venture Capital Fund Management Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Limited Partner(s)”	the limited partner(s) of the Partnership, initially being Shouyuan Investment, Shougang Fund and Shijingshan Fund Co., and any new limited partner of the Partnership from time to time (if any), each a Limited Partner;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Manager”	the manager of the Partnership, initially being Jingxi Venture;
“Management Fee”	the management fee receivable by the Manager from the Partnership in return for providing the Fund Management Services pursuant to the Partnership Agreement and the Proposed Entrusted Management Agreement;
“Partner(s)”	the partner(s) of the Partnership, initially being Shougang Industrial Investment, Shouyuan Investment, Shougang Fund and Shijingshan Fund Co., and any new partner of the Partnership from time to time (if any), each a Partner;
“Partners’ Meeting(s)”	annual general meeting(s) and/or extraordinary general

	meeting(s) of the Partnership;
“Partnership”	a limited partnership to be established in the PRC pursuant to the terms of the Partnership Agreement, the proposed name of which is 北京首石科幻產業股權投資基金（有限合夥）(Beijing Shoushi Science Fiction Industry Equity Investment Fund (Limited Partnership)*), which is subject to approval of the relevant market supervision and management authorities in the PRC;
“Partnership Agreement”	the partnership agreement dated 20 September 2022 between Shouyuan Investment, Shougang Industrial Investment, Shougang Fund and Shijingshan Fund Co. in relation to the establishment of the Partnership;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Entrusted Management Agreement”	the entrusted management agreement to be entered into between the Partnership, Shougang Industrial Investment (as the Executive Partner) and Jingxi Venture (as the Manager) in relation to the appointment of the Manager and the provision of Fund Management Services;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	the ordinary share(s) of the Company;
“Shijingshan Fund Co.”	北京市石景山區現代創新產業發展基金有限公司 (Beijing Shijingshan Modern Innovation Industry Development Fund Co., Ltd. *), a company established in the PRC with limited liability;
“Shougang Fund”	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC;
“Shougang Industrial Investment”	北京首鋼產業投資私募基金管理有限公司 (Beijing Shougang Industrial Investment Private Fund Management Co., Ltd.*), a company established in the PRC with limited liability;
“Shouyuan Investment”	北京首源投資有限公司 (Beijing Shouyuan Investment Co., Ltd.*), a company established in the PRC with limited liability

and a wholly-owned subsidiary of the Company;
“Stock Exchange” The Stock Exchange of Hong Kong Limited;
“substantial Shareholder” has the meaning ascribed to it under the Listing Rules; and
“%” per cent.

By order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 20 September 2022

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Xu Liang, Mr. Li Wei and Ms. Zhang Meng as Executive Directors; Mr. Li Hao (Vice Chairman), Mr. Liu Jingwei and Mr. Ho Gilbert Chi Hang as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Ms. Zhuge Wenjing as Independent Non-executive Directors.

** for identification purpose only*