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ASIAN CAPITAL HOLDINGS LIMITED

卓亞資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8295)

POTENTIAL CONTINUING CONNECTED TRANSACTION - INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT

IAM AGREEMENT

On 2 February 2016, Asian Capital (Corporate Finance), a wholly-owned subsidiary of the Company, entered into the IAM Agreement with Zhongzhi Capital, pursuant to which Asian Capital (Corporate Finance) is conditionally appointed as an investment manager of Zhongzhi Capital for managing the Investment Portfolio. The IAM Agreement is conditional upon the fulfillment of the Conditions Precedent.

LISTING RULES IMPLICATIONS

Jinhui and Kang Bang are wholly-owned subsidiaries of Zhongzhi Capital. Accordingly, upon Completion, Zhongzhi Capital will become a connected person of the Company and the transactions contemplated under the IAM Agreement will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios in respect of the proposed Annual Caps exceed 25% and the proposed Annual Caps are more than HK\$10,000,000, the transactions contemplated under the IAM Agreement are subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements under Chapter 20 of the GEM Listing Rules.

A circular containing, amongst other things, (i) details of the IAM Agreement; (ii) a letter from the IBC to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the IBC and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders on or before 26 February 2016.

References are made to (i) the Joint Announcement; (ii) the announcements of the Company dated 8 January 2016 and 11 January 2016 in relation to the possible provision of certain regulated activity related services by the Group to Zhongzhi Capital and/or its affiliates; and (iii) the Circular.

IAM AGREEMENT

Asian Capital (Corporate Finance), a wholly-owned subsidiary of the Company, entered into the IAM Agreement with Zhongzhi Capital on 2 February 2016, pursuant to which Asian Capital (Corporate Finance) is conditionally appointed as an investment manager of Zhongzhi Capital for managing the Investment Portfolio.

Principal terms

The principal terms of the IAM Agreement include:

Conditions Precedent: The IAM Agreement is conditional upon the following Conditions Precedent having been fulfilled:

- (a) the Share Purchase Completion and Subscription Completion having taken place; and
- (b) the issue of announcement by the Company and the passing by the Shareholders (or Independent Shareholders, if required) of such resolutions as may be necessary for approving the IAM Agreement and all other transactions contemplated thereunder in compliance with the requirements of the GEM Listing Rules.

Term of appointment: Commencing on the date on which all the Conditions Precedent are satisfied (or such other date as agreed between the parties to the IAM Agreement in writing) and expiring on 31 March 2018 and is renewable on mutual agreement in writing between Zhongzhi Capital and Asian Capital (Corporate Finance) subject to compliance with the applicable GEM Listing Rules unless terminated pursuant to the terms of the IAM Agreement.

Scope of services: Asian Capital (Corporate Finance) shall provide investment advice and investment management services in managing the Investment Portfolio (including but not limited to identifying and evaluating investment and divesting opportunities, advising, implementing and monitoring investments) to Zhongzhi Capital in accordance with the IAM Agreement.

Remuneration: Under the IAM Agreement, Asian Capital (Corporate Finance) will be entitled to:

- (a) a management fee, which shall be calculated on each Valuation Date during the term of the IAM Agreement in accordance with the formula below and payable in arrears within 90 days after the end of each calendar year:

$$\text{Management fee} = V \times R \times 3/12$$

V: Total Asset Value (as at each Valuation Date)

R: Rate of the management fee, which is equivalent to (i) 0.5% per annum if the Licensing Conditions have not been withdrawn by the SFC during the term of the IAM Agreement; or (ii) 1.0% per annum if the Licensing Conditions have been withdrawn by the SFC during the term of the IAM Agreement and commencing from the date thereof

- (b) in the event there is any disposal of an Asset by Zhongzhi Capital during the term of the IAM Agreement, a performance fee, which shall be payable within 90 days after the receipt of the amount realised from such disposal by Zhongzhi Capital (save under special circumstances where the parties to the IAM Agreement mutually agree in writing to extend the payment date to 180 days), calculated in accordance with the formula below:

$$\text{Performance fee} = (P2 - P1 - C) \times F$$

P1: Adjusted Asset Value in respect of the Asset

P2: Gross amount realised from the disposal of the Asset

C: Relevant tax liability

F: Rate of the performance fee, which is equivalent to 30%

If the calculation for the performance fee produces a negative figure, no performance fee shall be payable by Zhongzhi Capital.

Notwithstanding the above calculation of the management fee and performance fee, the total remuneration accrued/paid by Zhongzhi Capital to Asian Capital (Corporate Finance) (save as any out of pocket expenses incurred) during a particular calendar year shall be capped in accordance with the formula below:

$$\text{Total remuneration} = \text{Max (aggregate performance fee, aggregate management fee)}$$

The management fee and the performance fee under the IAM Agreement were determined after arm's length negotiations between Zhongzhi Capital and Asian Capital (Corporate Finance) with reference to the anticipated size of the Investment Portfolio,

associated costs and expenses involved for the provision of advisory and asset management services, the duties and responsibilities of Asian Capital (Corporate Finance) under the IAM Agreement and taking into consideration the Licensing Conditions.

Historical transaction amounts

There was no historical transaction amount between the Group and Zhongzhi Capital in relation to the provision of investment advisory and management services during the three years ended 31 December 2014 and up to the date of this announcement.

Proposed Annual Caps

It is proposed that the Annual Caps for the following periods will be limited as follows:

Period covered	Proposed Annual Cap HK\$
Commencement Date to 31 March 2016 (<i>Note</i>)	150,000,000
1 April 2016 to 31 March 2017	250,000,000
1 April 2017 to 31 March 2018	250,000,000

Note: Assuming the IAM Agreement will become unconditional before 31 March 2016.

In the event that the aggregate annual management fee and performance fee payable to the Group by Zhongzhi Capital under the IAM Agreement exceeds the respective proposed Annual Cap for any of the period to 31 March 2016 and the two years ending 31 March 2018, the Company will comply with all the relevant requirements of Chapter 20 of the GEM Listing Rules as and when necessary.

Basis of determination of the Annual Caps

The proposed Annual Caps were computed taking into account of (i) the Adjusted Asset Value and the market value of the Investment Portfolio under the IAM Agreement; (ii) the recent volatility in the global stock markets; and (iii) the anticipated tax obligations on disposal of the Investment Portfolio.

Reasons for entering into the IAM Agreement

The Group, through Asian Capital (Corporate Finance), is licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

As disclosed in the Joint Announcement, Asian Capital (Corporate Finance) intended to activate its type 9 (asset management) regulated activity to offer more comprehensive services to its clients. The Group has employed a type 9 (asset management) responsible officer who, together with the existing and expanding team of Asian Capital (Corporate

Finance), will enable Asian Capital (Corporate Finance) to carry out the asset management services. With new capital from the Subscription and the New Shares Placing and leverage upon the strength of Zhongzhi Capital in the businesses of asset management and investment, the Board believes that the Group will be able to also engage in these lines of businesses to expand and diversify its income stream for the benefit of the Company and its Shareholders as a whole.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the independent financial adviser) consider that the terms of the IAM Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and that the proposed Annual Caps are fair and reasonable.

INFORMATION ON THE PARTIES

The Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its Shares are listed on GEM. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of corporate advisory services and related activities, investment in various types of assets as well as money lending and asset management.

Asian Capital (Corporate Finance) is corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO. Based on its qualification as a Qualified Foreign Limited Partnership, Asian Capital (Corporate Finance) is in the process of applying for and setting up a wholly-owned foreign funded equity investment management enterprise in Qianhai, Shenzhen.

Zhongzhi Capital

Zhongzhi Capital is owned as to 95% by Zhong Hai Sheng Rong and as to 5% by 北京中海聚融投資管理有限公司 (Beijing Zhong Hai Ju Rong Investment Management Company Limited^{*}), respectively. The ultimate parent company of Zhong Hai Sheng Rong is Zhonghai Sheng Feng (Beijing) Capital Management Limited Company* (中海晟豐(北京)資本管理有限公司) and the ultimate beneficial owner of which is Mr. Xie Zhikun. Zhongzhi Capital was founded in 2011 with a registered capital of RMB1 billion. Zhongzhi Capital is one of the leading investment managers in China which focuses on acquisition and investment in industry leading enterprises and listed companies and is one of the largest industry consolidation funds in China. Based on its excellent performance, it was awarded as the China's top ten most active Chinese private equity investment institution in 2015, China's top ten venture capital and private equity investment institution with the best investment returns in 2015 and China's top ten most innovative Chinese private equity investment institution, venture capital and private equity investment institution in 2015. Zhongzhi Capital's key services include private equity investments in the primary market, private placement, mergers and acquisitions of overseas business and funds and merger and acquisition consulting etc. The business partners it works with range from top-tier domestic industry leaders and the world's leading professional institutions.

RELATIONSHIP BETWEEN THE PARTIES TO THE IAM AGREEMENT

Immediately following the Completion, Jinhui and parties acting in concert with it (including Kang Bang) will become the controlling Shareholder interested in a total of 2,279,102,627 Shares, representing (i) approximately 65.15% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the New Placing Shares to be issued upon Completion and assuming none of the Options have been exercised at or prior to Completion); and (ii) approximately 64.19% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the New Placing Shares and assuming all the Options have been exercised at or prior to Completion).

Jinhui and Kang Bang are wholly-owned subsidiaries of Zhongzhi Capital. Accordingly, upon Completion, Zhongzhi Capital will become a connected person of the Company and the transactions contemplated under the IAM Agreement will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the proposed Annual Caps exceed 25% and the proposed Annual Caps are more than HK\$10,000,000, the transactions contemplated under the IAM Agreement are subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements under Chapter 20 of the GEM Listing Rules.

The EGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, to approve the IAM Agreement and all other transactions contemplated thereunder as well as the proposed Annual Caps. As at the date of this announcement, Master Link, Allied Target and Phillip Capital are entitled to exercise their respective voting rights with respect to Shares representing approximately 47.64%, 4.80% and 17.23% of the issued share capital of the Company. As the IAM Agreement is conditional upon the Share Purchase Completion and Subscription Completion having taken place, Master Link, Allied Target, Phillip Capital and their respective associates are deemed to have material interests in the IAM Agreement. In the event that the EGM is to be held before the Completion takes place, Master Link, Allied Target, Phillip Capital and their respective associates shall abstain from voting on the resolutions for approving the IAM Agreement and the proposed Annual Caps at the EGM. In the event that the Completion has taken place before the date of the EGM, Zhongzhi Capital and its associates (including Jinhui and Kang Bang) shall abstain from voting at the EGM. Mr. Yeung, who is deemed to have material interests in the IAM Agreement for the same reasons, had abstained from voting on the relevant Board resolutions passed to approve the IAM Agreement and the proposed Annual Caps. No other Directors were required to abstain from voting on the aforementioned Board resolutions.

The IBC comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the IAM Agreement and the proposed Annual Caps. An independent financial adviser will be appointed by the Company to make recommendations to the IBC and the Independent Shareholders as to whether the terms of the IAM Agreement and the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, amongst other things, (i) details of the IAM Agreement; (ii) a letter from the IBC to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the IBC and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders on or before 26 February 2016.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers
“Adjusted Asset Value”	average of the sum of (i) asset value of an Asset determined by reference to the closing price of the Asset as at the date of the IAM Agreement; and (ii) cost of the Asset as provided and confirmed by Zhongzhi Capital (the aggregate Adjusted Asset Value of the Investment Portfolio amounting to approximately HK\$1.4 billion as at the date of the IAM Agreement)
“Allied Target”	Allied Target Holdings Limited, a company incorporated in Hong Kong which is an investment holding company owned as to 70% by Mr. Yeung and 30% by Phillip Capital
“Annual Caps”	the maximum remuneration payable to the Group by Zhongzhi Capital for the relevant period in terms of management fee and performance fee under the IAM Agreement
“Asian Capital (Corporate Finance)”	Asian Capital (Corporate Finance) Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and a wholly-owned subsidiary of the Company
“Asset”	any listed securities contained in the Investment Portfolio, or such other shares as the parties to the IAM Agreement may agree from time to time
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day (other than Saturday) on which banks in both Hong Kong and the PRC are generally open for business
“Circular”	the circular of the Company dated 28 January 2016 in relation to, among other things, the Subscription and the New Shares Placing
“Commencement Date”	the date on which all the Conditions Precedent are being satisfied and the term of the IAM Agreement commences
“Company”	Asian Capital Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (Stock code: 8295)
“Completion”	the Subscription Completion, the New Shares Placing Completion, the Share Purchase Completion and the Master Link Placing Completion
“Conditions Precedent”	the conditions precedent to the IAM Agreement, details of which are set out in the paragraph headed “Principal terms” under the section headed “IAM AGREEMENT” in this announcement
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, <i>inter alia</i> , the IAM Agreement and the proposed Annual Caps
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IBC”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Chan Kai Nang, Mr. Tsui Pui Yan and Mr. Yi Xiqun, which has been established to advise the Independent Shareholders in respect of the IAM Agreement and the proposed Annual Caps
“IAM Agreement”	the investment advisory and management agreement dated 2 February 2016 entered into between Zhongzhi Capital and Asian Capital (Corporate Finance)
“Independent Shareholder(s)”	the Shareholder(s) who are not involved in or interested in the IAM Agreement and are not required to abstain from voting at the EGM
“Investment Portfolio”	the portfolio of Asset under the IAM Agreement (the market value of which amounting to approximately HK\$4 billion as at the date of the IAM Agreement) or such other shares as the parties to the IAM Agreement may agree from time to time
“Jinhui”	Jinhui Capital Company Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Zhongzhi Capital
“Joint Announcement”	the joint announcement dated 5 January 2016 issued by the Company and Jinhui in relation to, among other things, the Subscription Agreement, the New Shares Placing Agreement, the Share Purchase Agreement and the Master Link Placing Agreement
“Kang Bang”	Kang Bang Qi Hui (HK) Company Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Zhongzhi Capital
“Licensing Conditions”	<p>the conditions imposed on the SFC Licence in respect of Type 9 (asset management) regulated activity held by Asian Capital (Corporate Finance), which includes the followings:-</p> <p>(a) the licensee shall not conduct business involving the discretionary management of any collective investment scheme. The term “collective investment scheme” is as defined under the SFO; and</p>

(b) the licensee shall not provide a service of managing a portfolio of futures contracts for another person

“Master Link”	Master Link Assets Limited, a company incorporated in the British Virgin Islands with limited liability whose entire issued share capital is beneficially owned by Mr. Yeung
“Master Link Placing Agreement”	the conditional placing agreement dated 5 January 2016 entered into between Master Link and Freeman Securities Limited, details of which are disclosed in the Joint Announcement and the Circular
“Master Link Placing Completion”	completion of the placing of 48,000,000 Shares owned by Master Link pursuant to the terms of the Master Link Placing Agreement
“Mr. Yeung”	Mr. Yeung Kai Cheung Patrick, the Executive Chairman of the Company, an executive Director and the controlling Shareholder
“New Placing Shares”	an aggregate of 400,000,000 new Shares to be placed pursuant to the terms of the New Shares Placing Agreement
“New Shares Placing”	the placing of New Placing Shares pursuant to the terms of the New Shares Placing Agreement
“New Shares Placing Agreement”	the conditional placing agreement dated 5 January 2016 entered into between the Company and Haitong International Securities Company Limited in relation to the New Shares Placing, details of which are disclosed in the Joint Announcement and the Circular
“New Shares Placing Completion”	completion of the New Shares Placing pursuant to the New Shares Placing Agreement
“Option(s)”	52,000,000 outstanding options granted by the Company pursuant to the pre-IPO share option scheme adopted by the Company on 7 June 2010
“Phillip Capital”	Phillip Capital (HK) Limited, a company incorporated in Hong Kong, which is an investment holding company owned as to 85% by Mr. Lim Hua Min

“PRC”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFC Licence”	the SFC licence issued or given to and maintained by Asian Capital (Corporate Finance)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Purchase”	the purchase of an aggregate of 648,345,791 Shares by Jinhui and Kang Bang pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the conditional agreement dated 28 October 2015 entered into among Master Link, Allied Target, Phillip Capital, Jinhui, Kang Bang, Mr. Yeung and Zhongzhi Capital in respect of the Share Purchase (as amended and supplemented by the supplemental share purchase agreement dated 5 January 2016), details of which are disclosed in the Joint Announcement and the Circular
“Share Purchase Completion”	completion of the Share Purchase pursuant to the Share Purchase Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Jinhui and Kang Bang pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 28 October 2015 entered into among the Company, Jinhui and Kang Bang in respect of the Subscription (as amended and supplemented by the supplemental subscription agreement dated 5 January 2016), details of which are disclosed in the Joint Announcement and the Circular

“Subscription Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Subscription Shares”	an aggregate of 1,630,756,836 new Shares to be subscribed by Jinhui and Kang Bang and issued by the Company under the Subscription Agreement
“Total Asset Value”	aggregate asset value of each Asset as at each Valuation Date, determined by reference to the average closing market price of each Asset as quoted on the relevant stock exchange of the last trading day of each of the three calendar months of that quarter
“Valuation Date”	the last day of each quarter of every calendar year, being 31 March, 30 June, 30 September and 31 December; and if such date is not a Business Day, the preceding Business Day
“Zhong Hai Sheng Rong”	中海晟融（北京）資本管理有限公司 (Zhong Hai Sheng Rong (Beijing) Capital Management Company Limited*), a company incorporated in the PRC with limited liability and is wholly-owned by Mr. Xie Zhikun
“Zhongzhi Capital”	中植資本管理有限公司 (Zhongzhi Capital Group*), a company incorporated in the PRC with limited liability and is owned as to 95% by Zhong Hai Sheng Rong and as to 5% by 北京中海聚融投資管理有限公司 (Beijing Zhong Hai Ju Rong Investment Management Company Limited*), respectively
“%”	per cent

Unless the context requires otherwise, translation of RMB into HK\$ is made in this announcement, for illustration purpose only, at the rate of approximately RMB1 = HK\$1.18.

** for identification purpose only*

By order of the Board
Asian Capital Holdings Limited
LI Pui Yee
Company Secretary

Hong Kong, 2 February 2016

Executive Directors:

Mr. YEUNG Kai Cheung Patrick (*Executive Chairman*)

Mr. CHAN Hok Leung

Non-executive Director:

Mr. XIN Luo Lin (*Honorary Chairman*)

Independent non-executive Directors:

Mr. CHAN Kai Nang

Mr. TSUI Pui Yan

Mr. YI Xiqun

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.asiancapital.com.hk.