



ASIAN CAPITAL HOLDINGS LIMITED

卓亞資本有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08295

First Quarterly Report 2016



資本

有限公司

Capital

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 report 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 report misleading.

HIGHLIGHTS

- Strong growth of investment advisory and management income in the First Quarter Fiscal 2016 to HK\$186.85 million (2015: Nil) in accordance with the IAM Agreement signed on 2 February 2016 between ZZ Capital and Asian Capital (Corporate Finance), a wholly owned subsidiary of the Group. ZZ Capital is a controlling shareholder of the Company as at 30 June 2016. The Group recorded a growth in corporate advisory income to HK\$7.64 million (2015: HK\$6.60 million), due to improvement in milestone achievements for corporate resumption activities. A small decrease in net interest income to HK\$0.31 million (2015: HK\$0.49 million) was contributed by realisation on listed investments and maturity of loan receivables. Net investment loss of HK\$0.15 million (2015: gain of HK\$1.56 million) turned from a gain to a loss compared to the corresponding period in 2015, due to the realisation, redemption and revaluation of fair value of our investments in securities. Nevertheless, the Group's overall revenue and other income still advanced significantly to HK\$194.79 million (2015: HK\$9.15 million).
- Operating expenses for the First Quarter Fiscal 2016 were HK\$33.39 million (2015: HK\$6.58 million), an increase of 407% against the corresponding period in 2015. The increase was mainly attributable to provision for VAT and surtax amounting to HK\$12.56 million following the earning of investment advisory and management income from ZZ Capital, as well as staff cost of HK\$8.10 million and recruitment expenses for new hires of HK\$5.17 million. VAT and surtax represented our largest cost components for the First Quarter Fiscal 2016.
- The Group recorded total comprehensive income of HK\$142.72 million in the First Quarter Fiscal 2016 (2015: HK\$2.08 million). Basic earnings per share for the First Quarter Fiscal 2016 was HK4.02 cents (2015: HK0.14 cent).
- Net assets value as at 30 June 2016 advanced to a record level of HK\$1,035.78 million (2015: HK\$132.59 million), 681% higher than the corresponding period ended 30 June 2015.
- With the Group's cash position around HK\$778 million with no outstanding loan position as at 30 June 2016, we will continue to identify and pursue global investment opportunities in various types of assets and geographies, alongside existing business activities such as underwriting, placement, corporate advisory and asset management in order to diversify our income sources and increase shareholder value over time.
- The Board does not recommend payment of a dividend for the First Quarter Fiscal 2016 (2015: Nil).

The board (the “Board”) of directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2016 (“First Quarter Fiscal 2016”), together with the comparative unaudited figures for the corresponding period in 2015, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

		Three months ended 30 June	
	Note	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	194,490	7,101
Net investment (loss)/income	3	(15)	1,557
Net interest income	3	312	490
		<hr/>	<hr/>
Revenue and other income	3	194,787	9,148
Operating expenses		(33,386)	(6,584)
		<hr/>	<hr/>
Profit before tax		161,401	2,564
Income tax expense	5	(18,685)	(487)
		<hr/>	<hr/>
Profit for the period		142,716	2,077
		<hr/>	<hr/>
Total comprehensive income for the period		142,716	2,077
		<hr/>	<hr/>
Earnings per share attributable to ordinary equity holders of the Company	6		
– Basic (HK cents)		4.02	0.14
		<hr/>	<hr/>
– Diluted (HK cents)		4.02	0.14
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Attributable to ordinary equity holders of the Company					
	Issued capital <i>HK\$'000</i> (Unaudited)	Share premium account <i>HK\$'000</i> (Unaudited)	Contributed surplus <i>HK\$'000</i> (Unaudited)	Share option reserve <i>HK\$'000</i> (Unaudited)	Retained profits <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 April 2016	35,505	706,245	9,000	-	142,311	893,061
Total comprehensive income for the period	-	-	-	-	142,716	142,716
At 30 June 2016 (Unaudited)	35,505	706,245	9,000	-	285,027	1,035,777
At 1 April 2015	14,515	69,464	9,000	7,969	29,256	130,204
Total comprehensive income for the period	-	-	-	-	2,077	2,077
Equity-settled share option arrangements	-	-	-	305	-	305
At 30 June 2015 (Unaudited)	14,515	69,464	9,000	8,274	31,333	132,586

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investments holding. The subsidiaries are principally engaged in the provision of corporate advisory services and related activities, investment advisory and management services, as well as investment in various types of assets globally.

2. BASIS OF PREPARATION

The unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2016 (the “First Quarterly Financial Statements”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The principal accounting policies used in the preparation of the First Quarterly Financial Statements are consistent with those used in the preparation of the Group’s annual financial statements for the fifteen months ended 31 March 2016. However, the First Quarterly Financial Statements do not include all of the information required for annual financial statements and they should be read in conjunction with the annual financial statements for the period ended 31 March 2016.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the First Quarterly Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

The First Quarterly Financial Statements are presented in Hong Kong dollars (“HK\$”), which is also the Company’s functional currency. All values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Inter-company transactions and balances between the Group companies are eliminated.

3. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Corporate advisory income	7,640	6,595
Placing and underwriting income/arrangement fee	-	506
Investment advisory and management income	186,850	-
	<u>194,490</u>	<u>7,101</u>
Net investment (loss)/income		
Net fair value (loss)/gain on financial assets measured at fair value through profit or loss	(15)	1,377
Realised gain on financial assets measured at fair value through profit or loss and other investments	-	180
	<u>(15)</u>	<u>1,557</u>
Net interest income		
Interest income from financial assets		
- Bank deposits	312	290
- Listed investments	-	43
- Loans receivables	-	157
	<u>312</u>	<u>490</u>
Revenue and other income	<u>194,787</u>	<u>9,148</u>

4. OPERATING SEGMENT INFORMATION

The Group's principal businesses are in the provision of corporate advisory services and related activities, investment advisory and management services, as well as investment in various types of assets globally. Information reported herewith is focused on the operating results of the Group as a whole, whereby the Group's resources are integrated and deployed optimally. Accordingly, no operating segment analysis is presented.

5. INCOME TAX EXPENSE

While Hong Kong profits tax has been provided at the rate of 16.5% for the three months ended 30 June 2015, no Hong Kong profits tax has been provided in the First Quarter Fiscal 2016 due to the estimated tax losses made for the three months ended 30 June 2016. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	(18,685)	(474)
Deferred tax		
Origination and reversals of temporary differences	-	(13)
	<u>(18,685)</u>	<u>(487)</u>

There was no significant unprovided deferred tax for the relevant period.

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the First Quarter Fiscal 2016 is based on the unaudited consolidated profits of approximately HK\$142,716,000 attributable to ordinary equity holders of the Company for the First Quarter Fiscal 2016 (2015: HK\$2,077,000) and the weighted average number of 3,550,496,836 shares in issue for the First Quarter Fiscal 2016 (2015: 1,451,540,000 shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive, potential ordinary shares. There is no adjustment made to the weighted average number of ordinary shares for the First Quarter Fiscal 2016, the basic earnings per share is therefore the same as the diluted earnings per share for the First Quarter Fiscal 2016. The calculations of diluted earnings per share for the three months ended 30 June 2015 are based on the unaudited consolidated profits of approximately HK\$2,077,000 attributable to ordinary equity holders of the Company for the three months ended 30 June 2015 and the adjusted weighted average number of 1,519,740,000 shares in issue for the three months ended 30 June 2015.

7. DIVIDENDS

The Board does not recommend payment of a dividend for the First Quarter Fiscal 2016 (2015: Nil).

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 9 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The First Quarter Fiscal 2016 was marked by an increased level of volatility in the global markets with United Kingdom's decision to leave the European Union, including the run up to the actual referendum, having a significant impact on overall market sentiment. China's gross domestic product growth remained steady from the previous quarter at 6.7%, narrowly beating expectations. In Hong Kong, the Hang Seng index ended flat versus the previous quarter as global market uncertainty took its toll.

Despite the overall volatility, our corporate advisory services continued its momentum with a number of key mandates primarily in initial public offerings ("IPO"), corporate resumptions and mergers and acquisitions ("M&As") related activities. Evidence of this momentum can be seen from our 16% increase in revenue from corporate advisory activity as compared with the corresponding period last year.

We continued our efforts in the First Quarter Fiscal 2016 to build out our investment advisory and management business. In addition to adding to our team of investment professionals, we are continuing to actively pursue office openings in United States and Europe in order to effectively evaluate market opportunities and risks. Consequently, our operating expenses increased meaningfully in the First Quarter Fiscal 2016.

Financial review

Strong growth of investment advisory and management income in the First Quarter Fiscal 2016 amounted to HK\$186.85 million (2015: Nil) in accordance with an investment and advisory management agreement ("IAM Agreement") signed on 2 February 2016 between 中植資本管理有限公司 (Zhongzhi Capital Group) ("ZZ Capital") and Asian Capital (Corporate Finance) Limited ("Asian Capital (Corporate Finance)"), a wholly owned subsidiary of the Group. ZZ Capital is a controlling shareholder of the Company as at 30 June 2016. The Group recorded a growth in corporate advisory income to HK\$7.64 million (2015: HK\$6.60 million), due to improvement in milestone achievements for corporate resumption activities. A small decrease in net interest income to HK\$0.31 million (2015: HK\$0.49 million) was contributed by realisation on listed investments and maturity of loan receivables. Net investment loss of HK\$0.15 million (2015: gain of HK\$1.56 million) turned from a gain to a loss compared to the corresponding period in 2015, due to the realisation, redemption and revaluation of fair value of our investments in securities. Nevertheless, the Group's overall revenue and other income still advanced significantly to HK\$194.79 million (2015: HK\$9.15 million).

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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

Operating expenses for the First Quarter Fiscal 2016 were HK\$33.39 million (2015: HK\$6.58 million), an increase of 407% against the corresponding period in 2015. The increase was mainly attributable to provision for value-added tax (“VAT”) and surtax amounting to HK\$12.56 million following the earning of investment advisory and management income from ZZ Capital, as well as staff cost of HK\$8.10 million and recruitment expenses for new hires of HK\$5.17 million. VAT and surtax represented our largest cost components for the First Quarter Fiscal 2016.

Accordingly, the Group recorded total comprehensive income of HK\$142.72 million in the First Quarter Fiscal 2016 (2015: HK\$2.08 million). Basic earnings per share for the First Quarter Fiscal 2016 was HK4.02 cents (2015: HK0.14 cent).

Net assets value as at 30 June 2016 advanced to a record level of HK\$1,035.78 million (2015: HK\$132.59 million), 681% higher than the corresponding period ended 30 June 2015.

Outlook

Under the new management of Ms. DUAN Di, Mr. CHO Michael Min-kuk and Mr. CHEN Jianfeng Peter, all of whom were appointed in the First Quarter Fiscal 2016, we are seeking to add to our sources of income and ultimately increase value to our shareholders. In addition to our investment advisory and management work for ZZ Capital, we are currently evaluating a number of potential investment opportunities around the world. Furthermore, we are actively looking to pursue strategic alliances which can enhance our business prospects and strengthen our capabilities.

The new management wishes to build a business eco-system via the Group’s resources to create long term sustainable growth. Besides the normal business cycle of “sourcing - financing - portfolio management - exit”, the Company’s revenue will be supplemented with value-added services and incremental fee options.

We are also maintaining our efforts on our corporate advisory business. As at the date of this report, the Group has on hand five corporate resumptions. We are also busy with three IPOs and a diversified portfolio of M&A engagements as well as some fund raising prospects for clients. Furthermore, in May 2016, the Development of the Shenzhen Municipal Government Financial Services Office approved the Group’s application for the setting up of a wholly-owned foreign funded equity investment management enterprise (the “Qianhai Subsidiary”) in Qianhai, Shenzhen. The approved business scope of the Qianhai Subsidiary includes (i) the establishment of the equity investment enterprise; (ii) the management of the equity investment enterprise’s investment business and provision of related services; (iii) equity investment advisory; and (iv) other business as approved or permitted by the relevant authority. The set-up of the Qianhai Subsidiary will enable the Group to invest into the equities market in the PRC to further diversify and broaden our revenue base.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook *(Continued)*

As at 30 June 2016, our investment portfolio stood at HK\$0.12 million in equities and without interest bearing securities.

The Group's cash position (around HK\$778 million as at 30 June 2016) remains strong. With such liquidity position, we can be more versatile and flexible in seeking new engagements, and will continue to identify suitable opportunities in underwriting, placement and investment across various types of assets to strengthen our income source and enhance our profitability to promote long term growth and profitability of the Group. Investment and underwriting activities however are, by nature, subject to market volatility and may impact the Group's profitability from time to time.

To facilitate international M&As and reflecting the support of the ZZ Capital Group, the Board has proposed to change the Company's name to ZZ Capital International Limited 中植資本國際有限公司 and a special resolution will be proposed at the annual general meeting of the Company to be held on 10 August 2016 for the shareholders of the Company to consider and, if thought fit, approve the change of the Company's name.

SHARE OPTION SCHEMES

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 7 June 2010. The principal terms of the two schemes were summarised in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to the Company's prospectus dated 11 June 2010.

The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

Pre-IPO Share Option Scheme

Under the Pre-IPO Share Option Scheme, the Company granted options to the Directors and employees of the Group on 10 June 2010 for the subscription of new shares of the Company at an exercise price of HK\$0.20 per share. No further options can be granted thereafter. All options previously granted had been exercised before the First Quarter Fiscal 2016.

SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme

During the First Quarter Fiscal 2016, no option was granted, exercised or lapsed under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Jinhui Capital Company Limited ("Jinhui") <i>(Note 1)</i>	Beneficial owner	1,823,282,102	51.35%
Zhongzhi Capital (HK) Company Limited ("Zhongzhi Capital (HK)") <i>(Note 1)</i>	Interest of controlled corporation	1,823,282,102	51.35%
深圳前海中植金輝投資管理合夥企業(有限合伙) (Shenzhen Qianhai Zhongzhi Jinhui Investment Management Partnership Enterprise (Limited Partnership)) ("Shenzhen Zhongzhi") <i>(Notes 1 and 3)</i>	Interest of controlled corporation	1,823,282,102	51.35%
Kang Bang Qi Hui (HK) Company Limited ("Kang Bang") <i>(Note 2)</i>	Beneficial owner	455,820,525	12.84%
常州康邦齊輝投資中心(有限合伙) <i>(Notes 2 and 3)</i>	Interest of controlled corporation	455,820,525	12.84%
西藏康邦勝博投資有限公司 (Tibet Kangbang Sheng Bo Investment Company Limited) ("Tibet Kangbang") <i>(Note 3)</i>	Interest of controlled corporation	2,279,102,627	64.19%
常州京江資本管理有限公司 (Changzhou Jingjiang Capital Management Company Limited) ("Changzhou Jingjiang") <i>(Note 3)</i>	Interest of controlled corporation	2,279,102,627	64.19%
ZZ Capital <i>(Note 3)</i>	Interest of controlled corporation	2,279,102,627	64.19%
中海晟融(北京)資本管理有限公司 <i>(Note 3)</i>	Interest of controlled corporation	2,279,102,627	64.19%
中海晟豐(北京)資本管理有限公司 <i>(Note 3)</i>	Interest of controlled corporation	2,279,102,627	64.19%

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Long positions in shares of the Company (Continued)

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Mr. XIE Zhikun ("Mr. Xie") (Note 3)	Interest of controlled corporation	2,279,102,627	64.19%
Mr. YEUNG Kai Cheung Patrick	Beneficial owner	10,000,000	0.28%
Mr. YEUNG Kai Cheung Patrick (Note 4)	Interest of controlled corporation	326,270,000	9.19%
Master Link Assets Limited (Note 4)	Beneficial owner	326,270,000	9.19%

Notes:

- Jinhui is a wholly-owned subsidiary of Zhongzhi Capital (HK), which in turn is wholly-owned by Shenzhen Zhongzhi. As such, each of Jinhui, Zhongzhi Capital (HK) and Shenzhen Zhongzhi is deemed to be interested in the 1,823,282,102 shares in the Company by virtue of the SFO.
- Kang Bang is a wholly-owned subsidiary of 常州康邦齊輝投資中心(有限合夥). As such, each of Kang Bang and 常州康邦齊輝投資中心(有限合夥) is deemed to be interested in the 455,820,525 shares of the Company by virtue of the SFO.
- Shenzhen Zhongzhi is owned as to 95% by Tibet Kangbang as limited partner and 5% by Changzhou Jingjiang as general partner, and 常州康邦齊輝投資中心(有限合夥) is owned as to 99% by Changzhou Jingjiang as limited partner and 1% by Tibet Kangbang as general partner. Tibet Kangbang and Changzhou Jingjiang are wholly-owned subsidiaries of ZZ Capital which in turn is owned as to 95% by 中海晟融(北京)資本管理有限公司. 中海晟融(北京)資本管理有限公司 is owned as to 99.8% by 中海晟豐(北京)資本管理有限公司 which is wholly and beneficially owned by Mr. Xie. As such, each of Tibet Kangbang, Changzhou Jingjiang, ZZ Capital, 中海晟融(北京)資本管理有限公司, 中海晟豐(北京)資本管理有限公司 and Mr. Xie is deemed to be interested in an aggregate of 2,279,102,627 shares of the Company held by Jinhui and Kang Bang by virtue of the SFO.
- Master Link Assets Limited is an investment holding company, the entire issued share capital of which is wholly and beneficially owned by Mr. YEUNG Kai Cheung Patrick.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the First Quarter Fiscal 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ms. DUAN Di and Ms. ZHANG Yun, executive Directors up until the date of this report, served certain capacities in ZZ Capital and/or its subsidiaries/associates as listed below which provide asset management, investment management and investment advisory services that may compete or are likely to compete with the business of the Group:

Ms. DUAN Di

Name of company	Capacity
ZZ Capital	Legal representative and director
深圳前海中植創源產業投資基金合夥企業(有限合夥)*	Legal representative
常州京江尚瑞投資中心(有限合夥)*	Legal representative
常州京江通冠博投資中心(有限合夥)*	Legal representative
Shenzhen Zhongzhi*	Legal representative
廣州廣卉投資中心(有限合夥)#	Legal representative

Ms. ZHANG Yun

Name of company	Capacity
江陰銀木投資有限公司#	Legal representative and director
江陰耀博泰邦投資中心(有限合夥)#	Legal representative
北京首拓融興投資有限公司#	Legal representative and director

* associates of ZZ Capital

subsidiaries of ZZ Capital

ZZ Capital, through its wholly-owned subsidiaries, Jinhui and Kang Bang, indirectly owns a 64.19% interest in the Company and is the controlling shareholder of the Company. ZZ Capital's key services include private equity investments in the primary market, private placement, mergers and acquisitions of overseas businesses and funds which may compete or are likely to compete with the business of the Group.

Save as disclosed above, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competed or might compete with the businesses of the Group nor any conflict of interest which any such person had or might have with the Group as at 30 June 2016.

EVENTS AFTER THE REPORTING PERIOD

- (1) In addition to the appointment of Mr. Stephen MARKSCHEID and Mr. Edouard MERETTE as independent non-executive Directors with effect from 18 June 2016 as disclosed in the 2015/16 Annual Report of the Company, the Company had appointed Mr. ZHANG Weidong as an independent non-executive Director with effect from 5 July 2016. Details of his appointment were published on the announcement of the Company dated 5 July 2016.
- (2) On 18 July 2016, Asian Capital (Corporate Finance) (the “Manager”) has received HK\$60 million from ZZ Capital for part of the performance fee due and payable under the IAM Agreement. On 20 July 2016, a side letter in relation to the IAM Agreement (the “Side Letter”) was signed subsequently by ZZ Capital and the Manager. Principal terms extracted from the Side Letter are set out below:

The Manager agrees to accept Renminbi (“RMB”) for settlement of HK\$258,684,383 remains due and payable to the Manager in relation to the performance fee under the IAM Agreement (the “Remaining Performance Fee”) in the following manner:

- a) Qianhai Subsidiary, the wholly-owned subsidiary of the Manager, is to be established under Qualified Foreign Limited Partnership of the PRC with a RMB bank account at a licensed bank in the PRC (or such other bank account as both parties may agree in writing);
- b) ZZ Capital shall pay the Remaining Performance Fee in equivalent RMB to Qianhai Subsidiary within 5 business days after the Manager informing ZZ Capital in writing the due establishment of the Qianhai Subsidiary and the RMB bank account details of the Qianhai Subsidiary (or such later date as the both parties may agree in writing), provided that such payment shall be made within 180 days after the receipt of the amount realised from the disposal of equity capital under the IAM Agreement (i.e. on or before 12 October 2016);
- c) ZZ Capital shall be responsible for all out-of-pocket expenses reasonably incurred by the Manager or the Qianhai Subsidiary and all taxes payable under the applicable laws and regulations arising from the payment arrangement described herein for the Remaining Performance Fee; and
- d) both parties further agree that subject to the full settlement of the Remaining Performance Fee in RMB to the Qianhai Subsidiary, the obligation under the IAM Agreement to pay the Remaining Performance Fee by ZZ Capital to the Manager shall be deemed performed in full and final satisfaction.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee include reviewing and overseeing the financial reporting system, risk management and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Stephen MARKSCHEID (chairman of the audit committee), Mr. Edouard MERETTE and Mr. ZHANG Weidong.

The Group has engaged Baker Tilly Hong Kong, a leading international accounting and business advisory firm to conduct regular internal audits and to report its findings to the audit committee.

The audit committee has reviewed the First Quarterly Financial Statements and is of the opinion that the preparation of those statements complies with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
Asian Capital Holdings Limited
DUAN Di
Chairman

Hong Kong, 9 August 2016

As at the date of this report, the Board comprises Ms. DUAN Di (Chairman), Mr. CHO Michael Min-kuk (Chief Executive Officer), Mr. CHEN Jianfeng Peter and Ms. ZHANG Yun being executive Directors; and Mr. Stephen MARKSCHEID, Mr. Edouard MERETTE and Mr. ZHANG Weidong, being independent non-executive Directors.