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CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

AMENDED INVESTMENT MANAGEMENT AGREEMENT — CONTINUING CONNECTED TRANSACTION

The Amended Investment Management Agreement is a continuing connected transaction requiring approval of the Company's shareholders under the Listing Rules but was not put to them for approval when it was renewed.

A Shareholders' meeting will be convened to approve the Amended Investment Management Agreement and its renewals.

The Independent Board Committee has been formed to advise independent shareholders on the Amended Investment Management Agreement and its various renewals. An independent financial adviser will be appointed to advise the Independent Board Committee and the shareholders. A circular containing, among other things, further information on the Amended Investment Management Agreement and the advice of the Independent Board Committee, and notice of the extraordinary general meeting to be convened to consider the Amended Investment Management Agreement is expected to be dispatched to the Shareholders no later than 29th September 2011.

AMENDED INVESTMENT MANAGEMENT AGREEMENT

On 28th March 1991, the Company and the Manager entered into a management agreement whereby the Manager was appointed to act as investment manager of the Company and agreed to provide management services and present suitable investment opportunities to the Company. That management agreement (with amendments made on 8 April 1992 as a result of which it became the Amended Investment Management Agreement) was made in compliance with the then applicable requirements of the Listing Rules on listing of the Company on the Stock Exchange as an investment company.

On 11th October 2004 the Amended Investment Management Agreement was amended so that it would continue until 31st December 2006 and subsequently renewed for further terms of 2 years each provided that the requirements of the Listing Rules are complied with before renewal. The Amended Investment Management Agreement (as amended) may be terminated by a party by serving not less than six months' written notice to the other party. The Company is required to have the

approval of its shareholders before giving such a notice. It was renewed again on 31st December 2006, 31st December 2008 and 31st December 2010, in each case for a further term of two years but approval of the Company's shareholders was not obtained.

When it was renewed at the end of 2006 and 2008 and further renewed at the end of 2010 the Amended Investment Management Agreement was renewed on commercial terms identical to those in the original agreement. Under the Amended Investment Management Agreement, the Manager is entitled to receive from the Company a management fee at the rates of (i) 2.75% per annum on the aggregate cost to the Company of the investment (less any provisions in respect thereof) held by it from time to time; and (ii) 1% per annum on the value of the uninvested net assets of the Company. In addition, the Manager is entitled to a performance bonus based on the following:

Return on Net Assets Performance Bonus

- (a) on the first 10%: Nil;
- (b) on the next 10%: $15\% \times (\text{NPAT minus } 10\% \text{ of Net Assets})$;
- (c) on the excess over 20%: $20\% \times (\text{NPAT minus } 20\% \text{ of Net Assets})$.

The Manager is also entitled to an additional performance bonus equivalent to 20% of the Net Capital Gains of the Company if the net asset value of the Company as at such Quarter Day (as determined by the directors of the Company) would be equal to or greater than 100% of the aggregate of the original subscription price of all shares in the Company which then remain outstanding. All amounts under the Amended Investment Management Agreement are payable in cash.

DIRECTORS' INTERESTS

The only Directors who at the material times were also directors of the Manager and the interests of the Directors in the Manager at times material to this announcement are as follows:

Mr. Lo Yuen Yat has been a director of the Manager since 8th May, 1995 and a director of the Company since 27th March, 1995 and owns 100,000 Shares in the Company;

Mr. Xu Xiao Feng has been a director of the Manager since 31st July, 2006 and a director of the Company since 28th June, 2006. At the date of this announcement Mr. Xu owns 5% of the issued shares in the Manager;

Mr. Yeung Wai Kin has been a director of the Manager since 6th August, 1997 and a director of the Company since 28th November, 1997. At the date of this announcement Mr. Yeung owns 3% of the issued shares in the Manager and 100,000 shares in the Company;

Ms. Lao Yuan Yuan has been a director of the Manager since 25th January, 2007 and a director of the Company since 20th September, 2005; and

Mr. Chan Suit Khown was a director of the Manager from 30th September 2009 to 11th November, 2009 and has been a director of the Company since 1st January 2011.

In every relevant annual report of the Company details of the Amended Investment Management Agreement have been disclosed.

INFORMATION ABOUT CHINA ASSETS AND THE MANAGER

China Assets is principally engaged in investments in companies and other business entities. The Manager's sole business is provision of management services to the Company pursuant to the terms of the Amended Investment Management Agreement.

IMPLICATIONS UNDER THE LISTING RULES

The Manager is a connected person of the Company under Listing Rule 21.13 and the Amended Investment Management Agreement is thus a continuing connected transaction of the Company under the Listing Rules.

Accordingly, the Amended Investment Management Agreement and its various renewals constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. For the years 2004 and 2005 no shareholders' approval of the Amended Investment Management Agreement was required under the Listing Rules as the amount paid under it was de minimis. The fees paid by the Company in respect of each of the financial years 2006-2010 were as set out below and, amongst other things, exceeded the HK\$10,000,000 per annum threshold for continuing connected transactions exempt from the independent shareholders approval requirement under the Listing Rules.

\$	2004	2005	2006	2007	2008	2009	2010
US	1,020,707	1,264,414	1,555,818	1,698,830	1,877,620	1,520,539	1,733,660
HK	7,941,101	9,837,141	12,104,262	13,216,894	14,607,884	11,829,792	13,487,877

The Amended Investment Management Agreement should therefore have been made subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Manager is a connected person of the Company, and Rule 14A.36 required it to re-comply with Listing Rules 14A.35 (3) and (4) when the Amended Investment Management Agreement was renewed. That requirement was not complied with.

A Shareholders' meeting will be convened to consider and if thought fit approve a resolution to ratify the Amended Investment Management Agreement and its renewals. Based on the information available to the Company at the date of this announcement, no Shareholder is required to abstain from voting at that meeting.

The Directors (excluding the Abstaining Directors and excluding members of the Independent Board Committee, whose view will be contained in a circular to be dispatched to the Shareholders as soon as practicable after taking into account the advice from the independent financial adviser) are of the view that the Amended Investment Management Agreement was renewed on the various occasions referred to in this announcement on normal commercial terms in the ordinary and usual course of business of the Company on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders on the Amended Investment Management Agreement and its various renewals. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Amended Investment Management Agreement. A circular containing, among other things, further information on the Amended Investment Management Agreement, the letter of advice from the Independent Board Committee, regarding the terms of the Amended Investment Management Agreement and the transactions contemplated hereunder and giving notice of the extraordinary general meeting to be convened to consider and if thought fit ratify the Amended Investment Management Agreement is expected to be dispatched to the Shareholders no later than 29th September 2011.

DEFINITIONS

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

“Abstaining Directors”	each of Lo Yuen Yat, Xu Xiao Feng and Lao Yuan Yuan, each an executive Director, and Yeung Wai Kin, a non-executive Director, who have not given any opinion on, and has abstained from voting on the board resolution approving, the Amended Investment Management Agreement in light of his or her interest in the Manager;
“Amended Investment Management Agreement”	an agreement for the management of the investments of the Company entered into by the Company and the Manager on 28th March 1991 as from time to time amended;
“continuing connected transaction”	the meaning ascribed to that term in the Listing Rules;
“Company”	China Assets (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 170);
“Director(s)”	the director(s) of the Company;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the board of Directors comprising Mr. Fan Jia Yan , Mr. Wu Ming Yu and Dr. David William Maguire being all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Amended Investment Management Agreement;
“Independent Shareholders”	holders of Shares that are not required under the Listing Rules to abstain from voting at a general meeting to approve the the Amended Investment Management Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Manager”	China Assets Investment Management Limited, a company incorporated in Hong Kong with limited liability and a connected person of the Company;
“Net Assets”	the net asset value of the Company computed by using the monthly weighted average thereof;
“Net Capital Gains”	the proceeds of disposals of investments of the Company less (i) all direct associated expenses, (ii) the relevant book costs of such investments excluding any revaluation or provision for accounting purposes, and (iii) any capital losses previously realized including losses incurred on the write-off of investments considered to be of nil or negligible value, and not previously offset against any Net Capital Gains;
“NPAT”	the net profit of the Company after tax, determined by reference to the annual audited accounts of the Company, provided that capital gains or losses on the investments of the Company, whether realized or unrealized, shall not be taken into account to determine NPAT;
“Quarter Day”	31st March, 30th June, 30th September and 31st December in each year or, where such a day is not a business day, the immediately preceding day which is a business day;
“Return on Net Assets”	the ratio (expressed as a percentage) of the NPAT to the Net Assets;

“Shares” shares of US\$.10 each in the capital of the Company;

“Shareholder(s)” holders of Shares;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

Note: Sums expressed in Hong Kong dollars in this announcement have been translated into United States dollars, and vice versa, at the rate HK\$7.78 = US\$1.00

By Order of the Board
Lo Yuen Yat
Chairman

Hong Kong, 1st September 2011

The directors of the Company at the date of this announcement are Mr. Lo Yuen Yat, Mr. Chan Suit Khown, Mr. Xu Xiao Feng and Ms. Lao Yuan Yuan as executive directors, Mr. Jiang Wei, Mr. Yeung Wai Kin and Mr. Zhao Yu Qiao as non-executive directors, Mr. Fan Jia Yan, Mr. Wu Ming Yu and Dr. David William Maguire as independent non-executive directors.