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GOLDSTREAM INVESTMENT LIMITED
金涌投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1328)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
PROVISION OF INVESTMENT MANAGEMENT SERVICES

As the Existing Investment Management Agreement is due to expire by the end of 2023, on 29 December 2023, GCML (a wholly-owned subsidiary of the Company) and HCG entered into the Investment Management Agreement in relation to the provision of investment management services by GCML Group to Hony Capital Group for a term of three years commencing from 1 January 2024 to 31 December 2026 (both dates inclusive).

As at the date of this announcement, HCG is managed by Hony Group Management (as sole general partner), which is owned as to 80% by Hony Managing Partners. Hony Managing Partners is in turn a wholly-owned subsidiary of Exponential Fortune, which is owned as to 49% by Mr. Zhao. As each of Hony Group Management, Hony Managing Partners and Exponential Fortune is an indirect holding company of the Company and Mr. Zhao is a Director, and HCG, being their associate, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Investment Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the highest annual cap for the Investment Management Agreement exceed(s) 0.1% but all of them are less than 5%, the transactions contemplated under the Investment Management Agreement are subject to the reporting, announcement and annual review requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

As the Existing Investment Management Agreement is due to expire by the end of 2023, on 29 December 2023, GCML (a wholly-owned subsidiary of the Company) and HCG entered into the Investment Management Agreement in respect of the provision of investment management services by GCML Group to Hony Capital Group for a term of three years commencing from 1 January 2024 to 31 December 2026 (both dates inclusive).

INVESTMENT MANAGEMENT AGREEMENT

Date: 29 December 2023

Parties

- (1) GCML (as manager)
- (2) HCG (as client)

Duration

From 1 January 2024 to 31 December 2026 (both dates inclusive) unless otherwise terminated in accordance with the Investment Management Agreement.

Appointment

HCG agreed to appoint GCML as investment manager and to authorise the GCML Group (i) to exercise investment discretion with respect to the Investment Portfolio and other property contained therein from time to time, and (ii) to execute all documentation, on Hony Capital Group's behalf, necessary to facilitate investment in securities/futures and options, and collective investment schemes for the Investment Portfolio, and GCML agreed to accept the appointment subject to the terms of the Investment Management Agreement.

Fees and payment terms

As part of the ordinary and usual course of business of GCML, the GCML Group manages a number of GCML Managed Funds and solicit investments from external investors.

Pursuant to the Investment Management Agreement, HCG agreed to authorize GCML Group to invest all or any portion of the Investment Portfolio in (i) any GCML Managed Fund or (ii) other direct investment or investment made in any non-affiliated commingled collective investment scheme or other investment to the extent permitted by the Investment Guidelines (including without limitation, secondary market investments and private equity investments) (the “**Other Investments**”).

HCG agreed to pay management fees and performance fees to GCML in the rates set out below, or in such amended fees schedule (and amended payment terms, as applicable) provided to HCG with 30 days’ prior written notice by GCML.

Management fee

(a) GCML Managed Funds

Pursuant to the Investment Management Agreement, for investments made to GCML Managed Funds, the management fee charged by GCML and the payment terms shall be in accordance with the applicable management fee rate and payment terms as set out in the terms of the relevant underlying GCML Managed Fund, and no further management fee will be payable under the Investment Management Agreement.

The respective fee rates are applicable to investors of the relevant GCML Managed Fund but not specially tailored for HCG, and are determined by the nature of each of the GCML Managed Funds, taking into consideration of various factors, including but not limited to its investment strategy, volatility, targeted returns and size of the investment.

As at the date of this announcement, the management fee for a GCML Managed Fund ranges from 0.5% to 2.0% on the relevant Investment Portfolio, and is payable on a monthly, quarterly or annual basis.

(b) Other investments

Pursuant to the Investment Management Agreement:

- (i) for the Other Investments other than private equity investments, the management fee payable by HCG to GCML per annum will be in the range of 1.5% to 2% of the net asset value (“NAV”) of the relevant Investment Portfolio, which will be determined by GCML and payable by HCG to GCML on a quarterly basis in arrears within 10 business days following receipt of the billing invoice; and
- (ii) for the Other Investments which are private equity investments, the management fee payable by HCG to GCML per annum will be 1.75% of the Acquisition Cost of the relevant Investment Portfolio which will be payable by HCG to GCML on a semi-annually basis within 10 business days following receipt of the billing invoice.

The management fee has been determined on arm’s length negotiations between GCML and HCG with reference to (i) the prevailing market rates charged by other investment managers of companies listed under Chapter 21 of the Listing Rules, (ii) the rates charged by GCML to other independent third party clients in respect of the provision of similar investment management services, and (iii) the responsibilities and duties of GCML under the Investment Management Agreement.

Performance fee

(a) GCML Managed Funds

Pursuant to the Investment Management Agreement, for investments made to GCML Managed Funds, the performance fee charged by GCML and the payment terms shall be in accordance with the applicable performance fee rate and payment terms set out in the terms of the relevant underlying GCML Managed Fund and no further performance fee will be payable under the Investment Management Agreement.

The respective fee rates are applicable to all investors of the relevant GCML Managed Fund but not specially tailored for HCG, and are determined by the nature of each of the GCML Managed Funds, taking into consideration of various factors, including but not limited to its investment strategy, volatility, targeted returns and size of the investment.

As at the date of this announcement, the performance fee for a GCML Managed Fund ranges from 10% to 20% of the appreciation of the relevant Investment Portfolio, and is payable on a quarterly or an annual basis.

(b) Other investments

The performance fee payable by HCG to GCML will be:

- (i) in respect of the Other Investments other than private equity investments, 20% per annum of the Absolute Profit, which will be payable to GCML at the end of each calendar year in arrears; or
- (ii) in respect of the Other Investments which are private equity investments, 20% of the Capital Gain, which will be payable to GCML upon receipt of the Proceeds by HCG and completion of the Realisation.

The performance fee has been determined on arm's length negotiations between GCML and HCG with reference to (i) the prevailing market rates charged by other investment managers of companies listed under Chapter 21 of the Listing Rules, (ii) the rates charged by GCML to other independent third party clients in respect of the provision of similar investment management services, and (iii) the responsibilities and duties of GCML under the Investment Management Agreement.

GCML may from time to time make certain private equity investments with a view to ultimately realize an increase in value of its stake. Unlike secondary market investments of which the fair value is constantly updated and publicly available, the valuation of the private equity investments may remain unchanged until a new round of financing takes place, and due to the relatively longer investment span, private equity investments focus more on capital gain upon realization, rather than the appreciation of NAV for each year. Based on the above, the Company considers that the calculation of management fee based on 1.75% of the Acquisition Cost and performance fee based on 20% of the Capital Gain is fair and reasonable.

Historical transaction amounts

The aggregate amount received by the Group under the Existing Investment Management Agreement into between the Group and Hony Capital Group was (i) approximately HK\$12.53 million for the year ended 31 December 2021; (ii) approximately HK\$13.93 million for the year ended 31 December 2022; and (iii) approximately HK\$5.40 million for the eleven months ended 30 November 2023 (*Note*).

Note: No performance fee in respect of year 2023 has been crystallised as at the date of this announcement.

Annual caps

The annual caps for the fees receivable by GCML under the Investment Management Agreement for each of the three years ending 31 December 2026 will be HK\$20,000,000 per year.

The proposed annual caps have been calculated and determined after taking into account the following:

- (a) the fee rates under the Investment Management Agreement;
- (b) the historical and current fee rates as set out in the terms of the GCML Managed Funds;
- (c) the historical growth rate of GCML Managed Funds which are invested by Hony Capital Group;
- (d) the existing aggregated investment amount from Hony Capital Group, and the possible growth of investment amount, annual Absolute Profit and Capital Gain; and
- (e) a buffer of around 20% to allow for the increase in demand for the investment management services.

The annual cap for each of the three years ending 31 December 2026 has been determined by the Company at a higher amount as compared with the historical transaction amounts on the following basis:

- (i) it anticipates a pipeline of potential new investments on the Group's fund products from Hony Capital Group for the year ending 31 December 2024 and the increase in the respective fees charged under such products;
- (ii) the unexpected volatility of the performance of the GCML Managed Funds in light of the anticipated gradual improvement in the capital market condition and economic recovery in the coming years, which may lead to an increase in performance fee; and
- (iii) it is expected that other GCML Managed Funds will further contribute to the total annual income as the increase in NAV of GCML Managed Funds will have dual positive effect on income from both the management fee and performance fee, which leads to a high projection of income to be received by the Group for the three years ending 31 December 2026.

INTERNAL CONTROL MEASURES

The finance department of the Group is responsible for monitoring transactions conducted under the Investment Management Agreement, and will make monthly projections on the management fees and performance fees payable to GCML with reference to (i) the actual transaction amounts received up to date, (ii) the terms of the Investment Management Agreement and the respective GCML Managed Funds and (iii) the net asset value of each account under management.

If (i) the transaction limit reaches 80% of the annual cap set under the Investment Management Agreement, (ii) the financial department otherwise considers that the annual cap is likely to be exceeded or (iii) there is any amendment of fee schedule with respect to the management fees and performance fees, the financial department will promptly report to the Board for approval of appropriate actions in accordance with the relevant provisions of the Listing Rules, including making further disclosures where necessary and seeking Shareholders' approval for revising the annual caps as appropriate.

REASONS FOR AND BENEFITS OF THE INVESTMENT MANAGEMENT AGREEMENT

GCML and its subsidiaries are engaged in the investment management business, being one of the business segments of the Group. While GCML has been providing investment management services to HCG under individual subscription agreements for the GCML Managed Funds, as AUM and the expected returns from the investments managed under GCML grow, the Group entered into the Existing Investment Management Agreement with HCG in 2021 to set out the terms for the provision of investment management services. As the Existing Investment Management Agreement is due to expire on 31 December 2023, GCML and HCG entered into the Investment Management Agreement in relation to the provision of investment management services by GCML to HCG. The Group will receive management fees and performance fees for such services provided and the transactions contemplated under the Investment Management Agreement will increase the total revenue of the Group.

The Directors (including all of the independent non-executive Directors) are of the view that the transactions contemplated under the Investment Management Agreement are conducted in the ordinary course of business of the Group, and the terms of the Investment Management Agreement (including without limitation, the annual caps and the fees charged with respect to the GCML Managed Funds and the Other Investments) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As each of Mr. Zhao and Mr. Tam is regarded as having a material interest in the Investment Management Agreement, each of Mr. Zhao and Mr. Tam has abstained from voting on the Board resolutions for approving the Investment Management Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors is regarded as having a material interest in the Investment Management Agreement and is required to abstain from voting on the relevant Board resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, HCG is managed by Hony Group Management (as sole general partner), which is owned as to 80% by Hony Managing Partners. Hony Managing Partners is in turn a wholly-owned subsidiary of Exponential Fortune, which is owned as to 49% by Mr. Zhao. As each of Hony Group Management, Hony Managing Partners and Exponential Fortune is an indirect holding company of the Company and Mr. Zhao is a Director, and HCG, being their associate, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Investment Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the highest annual cap for the Investment Management Agreement exceed(s) 0.1% but all of them are less than 5%, the transactions contemplated under the Investment Management Agreement are subject to the reporting, announcement and annual review requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

The Group

The Company and its subsidiaries are principally engaged in (i) the provision of investment management business; and (ii) the strategic direct investment business.

GCML

GCML is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. As at the date of this announcement, GCML is a wholly-owned subsidiary of the Company.

INFORMATION ON HCG

HCG is an exempted limited partnership established under the laws of the Cayman Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) HCG is principally engaged in investment management and specializes in private equity investments in the PRC; and
- (ii) HCG is managed by Hony Group Management (as sole general partner), which is owned as to 80% by Hony Managing Partners. Hony Managing Partners is in turn a wholly-owned subsidiary of Exponential Fortune, which is owned as to 49% by Mr. Zhao.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Absolute Profit”	appreciation of the net asset value calculated as at 31 December for the relevant year against the net asset value as at (i) 31 December of the preceding year or (ii) the date on which the investment was made (if shorter than one calendar year)
“Account”	investment account or designated bank account opened in name of HCG or its specified subsidiaries, a list of which as set out in the Investment Management Agreement (which may be amended from time to time by HCG with written notice to GCML)
“Acquisition Cost”	acquisition cost, together with any expenses related to the acquisition which are borne by HCG
“Affiliates”	any entity that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with GCML

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“AUM”	assets under management
“Board”	the board of Directors
“Capital Gain”	<p>the amount (if any) by which:</p> <p>(a) the Proceeds from a disposal of, or distributions of a capital nature in relation to, any Investment Portfolio (or a part thereof) after deduction from such Proceeds of the expenses of the Account associated with the disposal or distribution which are payable by HCG, exceed the Acquisition Cost of such Investment Portfolio (or a part thereof); or</p> <p>(b) in the case of realisation by way of distribution in specie, a sum equal to the fair market value of such Investment Portfolio (or a part thereof) after deduction of the expenses of the Account associated with the valuation or distribution which are payable by HCG, exceeds the Acquisition Cost of such Investment Portfolio (or a part thereof)</p>
“Company”	Goldstream Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1328)
“Director(s)”	director(s) of the Company
“Existing Investment Management Agreement”	the investment management agreement dated 12 October 2021 between GCML and HCG in relation to the provision of investment management services by GCML to HCG
“Exponential Fortune”	Exponential Fortune Group Limited, a limited liability company incorporated in the Cayman Islands

“GCML”	Goldstream Capital Management Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“GCML Group”	GCML and its Affiliates from time to time
“GCML Managed Fund(s)”	investment companies or investment funds advised by GCML or its Affiliates
“Group”	the Company and its subsidiaries
“HCG”	Hony Capital Group, L.P., an exempted limited partnership established under the laws of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hony Capital Group”	HCG, any direct or indirect holding or subsidiary company of HCG (other than entities under control of the Company) and any entities, whether partnerships, companies or otherwise from time to time, owned or controlled by, or under common control with, HCG
“Hony Group Management”	Hony Group Management Limited, a limited liability company incorporated in the Cayman Islands
“Hony Managing Partners”	Hony Managing Partners Limited, a limited liability company incorporated in the Cayman Islands
“Investment Guidelines”	the general investment objectives of HCG and investment restrictions that GCML may invest in the permitted investments by written consent of HCG

“Investment Management Agreement”	the investment management agreement dated 29 December 2023 between GCML and HCG in relation to the provision of investment management services by GCML to HCG with respect to the Investment Portfolio
“Investment Portfolio”	each portfolio of cash, securities, bonds, futures, options and collective investment schemes, and other assets delivered by Hony Capital Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tam”	Mr. Tam Terry Sze Ying
“Mr. Zhao”	Mr. Zhao John Huan
“PRC”	the People’s Republic of China
“Proceeds”	proceeds paid to HCG from the Realisation of any Investment Portfolio (in whole or in part) together with any other cash proceeds directly attributable to that Investment Portfolio, (including dividends and interest), less any expenses, tax or other deductions incurred by the Account in relation to that Investment Portfolio
“Realisation”	the disposition, distribution in specie, or permanent write off in the accounts of HCG’s Investment Portfolios in respect of an investee company, excluding dividend payments, interest payments, re-financings, recapitalizations or any other similar events
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Goldstream Investment Limited
Mr. Zhao John Huan
Chairman

Hong Kong, 29 December 2023

As at the date of this announcement, the board comprises two executive Directors, namely Mr. Zhao John Huan (Chairman) and Mr. Geng Tao (Chief Executive Officer); one non-executive Director, namely Mr. Tam Terry Sze Ying; and three independent non-executive Directors, namely Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence.