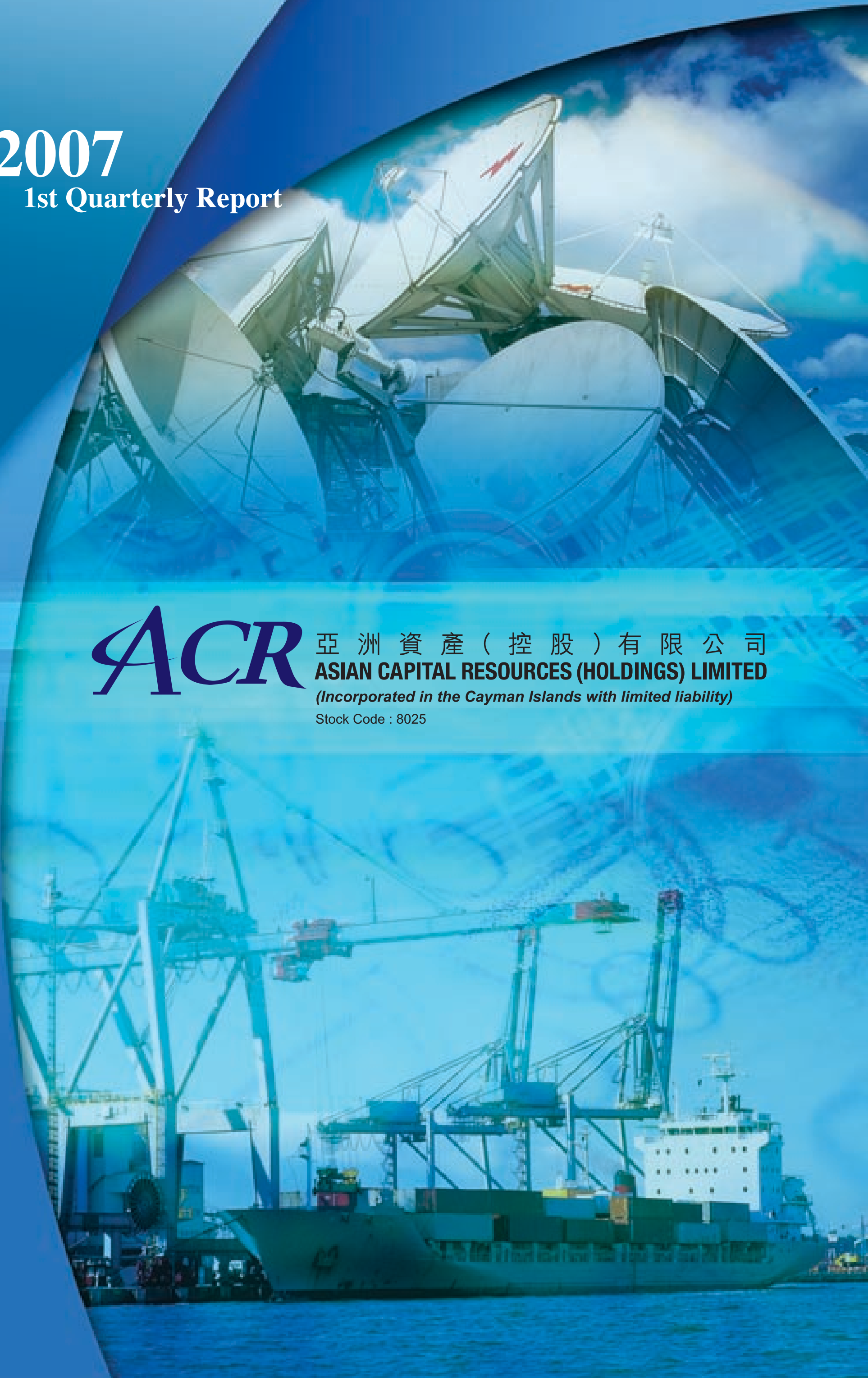
2007
1st Quarterly Report



亞 洲 資 產 (控 股) 有 限 公 司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8025

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of Asian Capital Resources (Holdings) Limited 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 Asian Capital Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan (Chairman) and Mr. Yang Qiulin; the non-executive director is Mr. Lo Mun Lam Raymond (Vice Chairman) and the independent non-executive directors are Mr. Wu Jixue, Mr. Yang Zhenhong and Mr. Zhang Daorong.

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of Asian Capital Resources (Holdings) Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2007 together with the comparative figures for the corresponding period in 2006 as follows:

		For the three months ended 31 March	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**41,191**	60,147
Cost of services		**(38,110)**	(54,813)
Gross profit		**3,081**	5,334
Interest income		**5**	11
Other income		**98**	562
Staff costs		**(3,925)**	(5,499)
Depreciation and amortisation		**(279)**	(1,012)
Operating lease rental		**(974)**	(844)
Other operating expenses		**(2,358)**	(2,910)
Loss from operating activities		**(4,352)**	(4,358)
Finance costs	*3*	**(166)**	(828)
Loss before taxation		**(4,518)**	(5,186)
Taxation	*4*	**—**	—
Loss for the period		**(4,518)**	(5,186)
Attributable to:			
Equity holders of the Company		**(4,518)**	(5,229)
Minority interests		**—**	43
		(4,518)	(5,186)
Loss per share			
— Basic	*5*	**(0.95 cents)**	(1.10 cents)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the three months ended 31 March 2007:

	Attributable to equity holders of the Company					
	Share premium	**Capital reserve**	**Translation reserve**	**Accumulated losses**	**Total**	**2006 Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January	87,707	26,020	(93)	(183,148)	(69,514)	(43,027)
Movement for the period	—	—	(140)	(4,518)	(4,658)	(5,229)
As at 31 March	**87,707**	**26,020**	**(233)**	**(187,666)**	**(74,172)**	**(48,256)**

Notes:

1. BASIS OF PREPARATION

The unaudited 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 accounting principles general accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31 December 2006.

2. TURNOVER

The Group's turnover represents the invoiced value of (1) project fees from the provision of project consultancy services; (2) distribution fees from the provision of content information; (3) service fees from the provision of content information; (4) service fees from the provision of logistic services and excludes intra-Group transactions as follows:

	For the three months ended 31 March	
	2007	2006
	HK$'000	*HK$'000*
Content solution service		
— project fees	**51**	51
— distribution fees	**191**	191
Internet solution service fees	**15**	153
Educational content service fees	**—**	22
Logistic service fees	**40,934**	59,730
Total turnover	**41,191**	60,147

3. FINANCE COSTS

The finance costs represent the interest on amount due to ultimate holding company, bears interest rate at 5%.

4. TAXATION

No Hong Kong profits tax and PRC income tax has been provided for the three months ended 31 March 2007 as the Group has no assessable profit for the period.

5. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2007 is based on the net loss from ordinary activities attributable to shareholders of approximately HK$4,518,000 (2006: HK$5,229,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2006: 476,237,000) during the period.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the three months ended 31 March 2007 was approximately HK$41,191,000 (2006: HK$60,147,000) which was decreased by approximately 32% as compared to that of the previous financial year. The Group's gross profit margin is decreased from 8.9% for the three months ended 31 March 2006 to 7.5% for the current period. The decrease in gross profit margin is due to the fact that service providers have increased their costs, while the Group continued to offer competitive prices to its valued customers.

The unaudited consolidated loss from operations for the three months ended 31 March 2007 was approximately HK$4,352,000, which was roughly the same as compared with the corresponding period last year, HK$4,358,000.

Financial cost

The financial cost of the Group for the three months ended 31 March 2007 was approximately HK$166,000 (2006: HK$828,000) which was decreased by approximately 80% as compared to that of the same period of last year. Such reduction was mainly attributable to the fact that the disposal of Eleson Group reduced the Group's financial cost which resulted from the interest-bearing convertible note relating to Eleson Group.

Liquidity, financial resources and capital structure

As at 31 March 2007, the Group's borrowing consists of a loan from the ultimate holding company of HK$13,500,000. The Group had a cash balance of approximately HK$4,943,000 (2006: HK$6,749,000). A portion of the loan from the ultimate holding company was converted into shares, details of which are disclosed in the section "Issue of new shares" below.

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

There was no change in the capital structure of the Group for the three months ended 31 March 2007 as compared with that for the same period last year.

Gearing Ratio

As at 31 March 2007, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 46% (2006: 27%).

Employee and remuneration policies

As at 31 March 2007, the Group employed a total of 229 employees (as at 31 March 2006: 285), of which 11 were located in Hong Kong and the remaining 218 were located in the PRC. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

Acquisition of subsidiary

On 8 February 2007, the Company entered into a sale and purchase agreement with Mr. Xie Xuan, the Chairman of the Company, to acquire 100% equity interest in Vega International Group Limited ("Vega"), a company incorporated in the British Virgin Islands with limited liability, for a cash consideration of US$50,000.

Vega is principally engaged in the provision of services in financial consulting and investment, project planning and development, technology brokerage services, corporate development services, management consulting and post acquisition advisory and professional management services. Vega has been granted a license to perform the said services in the People's Republic of China and therefore would be of great assistance to the Group in expanding the role of consultancy services in the Greater China Region. The Group considered that the Acquisition represented a good attempt to expand its existing business portfolio into the area of financial consulting and development, and provides opportunities for the Group to expand its existing businesses.

Issue of new shares

On 12 February 2007, the Company entered into a subscription agreement with the controlling shareholder of the Company, Asian Dynamics International Limited ("Asian Dynamics") for the issue of 91,000,000 shares in the Company (the "Subscription Shares"), pursuant to which the Company agreed to issue and allot the Subscription Shares to Asian Dynamics at the total consideration of HK$9,100,000.

The Subscription Shares were issued in satisfaction of the loan payable by the Company to Asian Dynamics for monies that have been advanced to the Company totaling HK$9,100,000.

The Subscription Shares were allotted to Asian Dynamics on 12 April 2007.

Contingent Liabilities

(i) S.221 of Companies Ordinance Proceeding in the High Court

The Company and several of its subsidiaries and former subsidiaries and Mr. Ho Wing Yiu, the former Chief Executive Officer of the Company, who has been indemnified by the Company for any legal costs that he may incur in relation to the litigation between the Provisional Liquidators and its subsidiaries, have been involved in litigation with the Provisional Liquidators of Union Resources (Educational Development) Limited ("UR"), a former subsidiary of the Company. The other companies in the group which are involved are: Asian Information Resources (BVI) Limited, AIR Logistics International Limited, and Beijing AIR Strategy and Information Technology Limited. They have been made respondents by the Provisional Liquidators in their application for obtaining documents under an application made pursuant to section 221 of the Companies Ordinance.

The said companies contested the application of the Provisional Liquidators but lost in the hearing on 10 August 2006. The Provisional Liquidators have since obtained a costs order against the said companies. They have demanded a sum of HK$1,404,576 from the said companies. The sum demanded was considered to be unreasonable, hence no offer has been made to settle the outstanding costs order. In the circumstances, the issue requires to be adjudicated by the High Court of Hong Kong. The maximum exposure of the Company would be in the sum of HK$1,404,576 plus the costs of taxation.

(ii) Further action on the S.221 order

Even though the Company and the relevant subsidiaries have already endeavoured to give all documents to the Provisional Liquidators, the Provisional Liquidators have still found the discovery to be unsatisfactory. Consequently, they have threatened to take further action against the Company and its subsidiaries for the outstanding documents that they could not locate or found missing. The Provisional Liquidators have reserved all their rights in relation to the application, including the right to apply to the Court to seek further relief. If the Provisional Liquidators do make further application to the Court, the Company envisages that additional legal costs will be incurred by the Company in relation to any application which may be made.

OPERATIONAL REVIEW

The Company shall focus its efforts in building up its profits through the logistics services and financial consulting businesses by way of achieving further expansion, and anticipates the coming year will provide exciting opportunities for the Company, supported by the encouraging global economic growth.

The Board is in the process of reviewing all the operations of the Group to ensure that the returns from those operations can be justified. The Board intends to dispose of all non-profitable operations within the Group. Furthermore, the Board will strive to reduce the operating costs of the Group.

Futhermore the Company is in the process of consolidating its core business of logistics services, and is constantly reviewing the return from this business to the Group. The Company has experienced severe competition in this division of its business, and has had to reassess the entire logistics business. The Company wishes to avoid overtrading in this particular area, and to this extent, is reviewing the turnover that can be achieved from the business and is aiming towards achieving profitability from all the divisions within the Group.

Performance of operating divisions

Logistic Services

Considering the importance of the business and the issues encountered by the Group last year in respect of the logistic operations, the management has put much effort to improving the operation and control through branches and subsidiaries. The effort includes but is not limited to increasing marketing efforts, widening, improving efficiency of our logistics services including freight forwarding services and keeping tighter control on the accounting records. The turnover of this operation decreased by approximately 31% compared to that of the previous period. This was mainly due to the fact that the Group experienced an extremely competitive environment in the PRC which impacted on the turnover and gross profits of the logistics operations.

Following the completion and review of the financial statements for the three months ended 31 March 2007 of the Hong Kong and USA branches of Ever-OK International Forwarding Co. Ltd, the results have shown that these two offices have become non-profitable and will remain non-profitable for the foreseeable future. Therefore both of these branches are in the process of being closed down, resulting in a decrease in the turnover of the Group.

In order to make the logistics services more profitable, with continued efforts of the management, the Company has planned to target its development into the following areas: (i) Enhancing the freight delivery and distribution services in the PRC for its clients; (ii) Developing warehouse and logistics centre in the PRC for distribution.; (iii) Developing more major clients and providing them with more value added services.

Furthermore, with the "just-in-time" management concept developed in recent years, the manufacturers, the distributors and the retailers rely on frequent shipments to sustain production flows and inventory rather than accumulating inventory in their warehouses. This is also accelerating the development of the logistics services business.

Information Technology

Over the past few years the information technology ("IT") division of the Group has only been able to contribute no more than HK$1 million in each financial year to the turnover of the Group. As a result the Company does not foresee any further opportunities for growth in the IT division of the Group, and so therefore the management of the Company has decided to close the main portion of the Group's IT division.

From the end of 2006, the Company has steadily decreased its IT division in an effort to reallocate the resources devoted to the IT division to more profitable areas of the Company's operations. The Company will maintain an IT Division, however it will be on a more reduced scale. This will allow the Company to reallocate the Company's resources to other areas of its existing operations, as well as new areas of development which the Company wishes to pursue in the coming year.

Financial Consultancy

The Group is presently in the process of diversifying its core business to that of financial consultancy. With the acquisition of Vega the Group is now in the process of signing a number of contracts for the provision of financial consultancy services by Vega with companies in the southern China region.

The Company foresees exciting opportunities for growth in this particular sector, and with the use and implementation of the remaining portion of the IT division of the Group, the Company is currently revitalizing its core business through the development of the financial consultancy division.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, none of the Directors and the chief executive of the Company had registered an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 31 March 2007, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the share and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited *(Note 1)*	Beneficial owner	Corporate	264,934,000	55.63%
Aldgate Agents Limited *(Note 2)*	Beneficial owner	Corporate	66,120,000	13.88%
New World CyberBase Limited	Interest of a controlled corporation	Corporate	66,120,000	13.88%

Notes:

1. Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.

2. Aldgate Agents Limited is a wholly owned subsidiary of New World CyberBase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 31 March 2007, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 31 March 2007.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry of all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 31 March 2007.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Mr. Yang Zhenhong and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 10 May 2007