



ACR 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

1st Quarterly Report 2008

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

		For the three months ended 31 March	
		2008	2007
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	26,571	41,191
Cost of services		(23,114)	(38,110)
Gross profit		3,457	3,081
Interest income		8	5
Other income		126	98
Staff costs		(2,812)	(3,925)
Depreciation and amortisation		(158)	(279)
Operating lease rental		(784)	(974)
Other operating expenses		(2,510)	(2,358)
Loss from operating activities		(2,673)	(4,352)
Finance costs	3	(73)	(166)
Loss before taxation		(2,746)	(4,518)
Taxation	4	—	—
Loss for the period		(2,746)	(4,518)
Attributable to:			
Equity holders of the Company		(2,746)	(4,518)
Minority interests		—	—
		(2,746)	(4,518)
Loss per share			
— Basic	5	(0.43 cents)	(0.95 cents)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the three months ended 31 March 2008

	Attributable to equity holders of the Company					2007 Total HK\$'000
	Share premium	Capital reserve	Translation reserve	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January	97,008	26,020	(775)	(203,297)	(81,044)	(69,514)
Movement for the period	—	—	(220)	(2,746)	(2,966)	(4,658)
As at 31 March	97,008	26,020	(995)	(206,043)	(84,010)	(74,172)

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 2007.

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 logistics services and excludes intra-Group transactions as follows:

	For the three months Ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Content solution service		
— project fees	—	51
— distribution fees	27	191
Internet solution service fees	—	15
Logistics service fees	26,544	40,934
Total turnover	26,571	41,191



3. FINANCE COSTS

The finance costs represent the interest on amount due to the Company's ultimate holding company, which bears interest at 5%.

4. TAXATION

No Hong Kong profits tax and PRC income tax has been provided for the three months ended 31 March 2008 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 2008 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$2,746,000 (2007: HK\$4,518,000) and the weighted average number of ordinary shares of approximately 639,335,418 (2007: 476,237,000) during the period.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2008 (2007: 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 2008 was approximately HK\$26,571,000 (2007: HK\$41,191,000) which was decreased by approximately 35.5% as compared to that of the previous financial year. The Board noticed one of the significant reasons for the decrease in the total turnover of the Group was a result of the severe weather conditions in the PRC in the early part of this year which affected the entire transportation industry in the PRC. This factor, in turn, led to a reduction in the turnover achieved from the logistics division of the Group. Furthermore, the severe weather conditions had forced many factories to a halt before as well as after the Chinese New Year. The Chinese New Year decline phenomena has been experienced by the transportation industry for many years, however combined with the severe weather this year made things worse. The Group's gross profit margin is increased from 7.5% for the three months ended 31 March 2007 to 13% for the current period. The increase in gross profit margin is due to the closure of the non-profitable operations in Hong Kong and the USA.

The unaudited consolidated loss from operations for the three months ended 31 March 2008 was approximately HK\$2,673,000, which was significantly reduced as compared with the corresponding period last year, HK\$4,352,000. It was mainly due to the increase in gross profit margin and reduction in staff costs of the Group.

Financial cost

The financial cost of the Group for the three months ended 31 March 2008 was approximately HK\$73,000 (2007: HK\$166,000) which was decreased by approximately 56% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the three months ended 31 March 2008, the Group's borrowing consists of a loan from the Company's ultimate holding company of HK\$3,728,000. The Group had a cash balance of approximately HK\$6,894,000 (2007: HK\$4,943,000)

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.

The issued share capital of the Group for the three months ended 31 March 2008 has increased from HK\$47,624,000 to HK\$63,933,541, as compared with that for the same period last year.

Gearing Ratio

As at 31 March 2008, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 16% (2007: 46%).

Employee and remuneration policies

As at 31 March 2008, the Group employed a total of 158 employees (as at 31 March 2007: 229), of which 10 were located in Hong Kong and the remaining 148 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.



Material acquisitions and disposals of subsidiaries and affiliated companies

Acquisition of a Media Company

On 11 January 2008, the Board announced that the Company entered into an agreement pursuant to which the Company conditionally agreed to purchase 100% equity interest of a media company in the PRC at the consideration of HK\$157 million (the “Consideration”). The Consideration shall be financed by (i) the issue and allotment of 324,082,568 new Shares at HK\$0.218 per Consideration Share; and (ii) the issue in aggregate of HK\$86,350,000 of zero-coupon Convertible Notes convertible at the initial Conversion Price of HK\$0.218 per Share with 24-month maturity. Details of the purchase are set out in the circular of the Company dated 28 February 2008.

The acquisition was approved by the independent shareholders by way of poll at the EGM held on 14 March 2008. Details are set out in the announcement dated 14 March 2008.

Contingent Liabilities

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

The Company's subsidiaries, former subsidiaries, and a former director 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 of Union Resources (Educational Development) Limited (the “Provisional Liquidators”)), have been involved in litigation with the Provisional Liquidators. The companies in the Group which were involved are:— Asian Information Resources (BVI) Limited, AIR Logistics International Limited, and Beijing AIR Strategy and Information Technology Limited. They had all been made respondents by the Provisional Liquidators in their application for obtaining documents 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 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. Since applying for taxation the Provisional Liquidators have revised their costs estimate and are now demanding the sum of HK\$1,108,905. In the circumstances, the issue still requires to be adjudicated by the High Court of Hong Kong. The maximum exposure of the Company's subsidiaries would be in the sum of HK\$1,108,905, plus the costs of taxation.

(ii) Further action on the S.221 order

Even though the Company's relevant subsidiaries have already endeavoured to give all the 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's subsidiaries for the outstanding documents that the Company's relevant subsidiaries 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's subsidiaries in relation to any application which may be made.

OPERATIONAL REVIEW

During the period under review, the Group continued its focuses on core business in logistics services and information technology. The Group continues to explore investment opportunities which are strategic to the Group's business operations and which will contribute significantly to the return of the Company's shareholders.

The Company has a sufficient level of operations in logistics services and has sufficient assets to operate its business as a going concern. Currently, the Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has sufficient assets to operate its business due to the continuing support of the major shareholder of the Company. Furthermore, as set out in the section "Material acquisitions and



disposals of subsidiaries and affiliated companies”, above, the Company resolved and was given approval by the independent shareholders on 14 March 2008 to acquire the 100% equity interest of a media company in the PRC at the consideration of HK\$157 million (the “Acquisition”). The Directors estimate that the Acquisition will generate sufficient working capital to support the Company’s operations as a going concern.

The Company shall continue to focus its efforts in building up its profits through the logistics services, information technology and corporate finance businesses by way of achieving further expansion, and anticipates the coming year will provide exciting opportunities for the Group, supported by the encouraging global economic growth. In particular the Directors are of the view that the Acquisition presents an exciting opportunity for the Group to expand its existing business structure and provides an opportunity to enlarge the revenue base of the Group, particularly in the information technology sector, with regards to the provision of internet protocol television services to the southern China region, and the returns that can be generated therefrom.

The Board continues 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.

Furthermore 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 of the divisions within the Group.

Performance of operating divisions

Logistics Services

Notwithstanding the management’s efforts in rationalizing the Group’s operations and enhancing the Group’s cost efficiency during the period, the aim to attain profitability is yet to be achieved. In the year ahead, the Group will continue to strengthen its ability to meet the growing demand for quality logistics services and allocate sufficient resources to develop the high potential of the PRC market.

Considering the importance of the business and the issues encountered by the Group during the period in respect of its logistics operations, the management of the Company has put a great deal of effort into improving the operation and control of the logistics division through the division's branches and subsidiaries. The effort includes but is not limited to increasing marketing efforts, widening, improving efficiency of the Group's logistics services including freight forwarding services and keeping tighter control on the accounting records. With continued efforts of the management, the Company will continue to increase quality clients for the coming year, leading to an increasing contribution to the Group.

In order to make the logistics services more profitable, with the continued efforts of the management, the Group has planned to target its development of the logistics division 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; and (iii) Developing more major clients and providing them with more value added services.

Information Technology

Over the past few years the information technology 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. However, the Directors have been seeking investment opportunities to broaden the Group's income base and to expand the Group's existing business operations. The Board has considered the following factors, including, but not limited to, the Group's existing investments in the information technology division, and the returns that are currently achieved therefrom. The Board has reviewed the terms of the agreement dated 24 December 2007, as set out in the circular of the Company dated 28 February 2008, and is satisfied that the proposed Acquisition is in line with its existing information technology platform and will provide a basis for the expansion of this platform in the area of the provision of internet protocol television services to the southern China region. The Acquisition presents an exciting opportunity for the Group to expand its existing business structure and provides an opportunity to enlarge the revenue base of the Group.



Financial Consultancy

The Group has decided to explore further opportunities for development in the corporate finance sector. Hence the acquisition of Vega International Limited (“Vega”), which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services. The Directors consider that the acquisition represents a good attempt to expand its existing business portfolio into the area of corporate finance and development, and provides opportunities for the Group to expand its existing businesses. The Group is now in the process of negotiating a number of contracts for the provision of financial consultancy services by Vega with companies in the southern China region. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses.

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

As at 31 March 2008, 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 2008, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares 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	327,685,431	51.25%
Aldgate Agents Limited (Note 2)	Beneficial Owner	Corporate	66,120,000	10.34%
Mongolia Energy Corporation Limited	Interest of a controlled corporation	Corporate	66,120,000	10.34%
Bonus Gain Limited	Beneficial Owner	Corporate	35,860,262	5.61%

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 Mongolia Energy Corporation Limited, previously known as 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 2008, 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, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, Mongolia Energy Corporation Limited, Aldgate Agents Limited, and Bonus Gain Limited, as disclosed above, there was no other person during the three months ended 31 March 2008 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

SHARE OPTIONS

For the three months ended 31 March 2008, there are outstanding 97,840,073 ordinary shares of HK\$0.10 each in the capital of the Company (“the Option Share(s)”) granted by the Company and fall to be issued upon exercise of the Option Shares at the exercise price of HK\$0.275 per Option Share.

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 2008.



CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure compliance with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company Code to bring our corporate governance practices in line with the changes in the environment and requirements of the Code.

In the opinion of the Directors, the Company has complied with all the provisions of the Code for the three months ended 31 March 2008, except:

- (i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. However, Mr. Ho Wing Yiu resigned as the chief executive officer with effect from 7 December 2006. Hence Mr. Xie Xuan, chairman of the Company, takes up the responsibilities of the chief executive officer until a replacement for the chief executive officer is found. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.
- (ii) under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company;



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 three months ended 31 March 2008.

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, 8 May 2008