



ASIAN CAPITAL HOLDINGS LIMITED

卓亞資本有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8295

First Quarterly Report 2011



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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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

- The Group's revenue for the three months ended 31 March 2011 was approximately HK\$3.68 million (2010: approximately HK\$4.49 million), representing a decrease of approximately 18.04% from that of 2010, as progress on Corporate Resumption services was much slower than had been expected, affecting fee income which was largely billed upon achieving milestones.
- Loss attributable to equity holders of the Company amounted to approximately HK\$0.97 million for the three months ended 31 March 2011 (2010: approximately HK\$0.73 million). Apart from lower revenue and fair value provision for staff's pre-IPO share options, there was an impairment loss incurred in litigation support and distressed asset recovery services.
- Loss per share was approximately HK0.08 cents for the three months ended 31 March 2011 (2010: approximately HK0.08 cents).
- The Board does not recommend payment of an interim dividend for the three months ended 31 March 2011.

The board of directors (the “Board”) 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 31 March 2011 together with comparative unaudited figures for the corresponding period in 2010, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

		Three months ended	
		31 March	
	<i>Notes</i>	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	3	<u>3,682</u>	4,492
Other income and gains	3	90	25
Operating expenses		<u>(4,649)</u>	<u>(5,124)</u>
Loss before tax		(877)	(607)
Income tax expense	5	<u>(90)</u>	<u>(122)</u>
Loss for the period		<u>(967)</u>	<u>(729)</u>
Other comprehensive loss			
Changes in fair value of available-for-sale investments, net of tax		<u>(5)</u>	–
Other comprehensive loss for the period, net of tax		<u>(5)</u>	–
Total comprehensive loss for the period		<u>(972)</u>	<u>(729)</u>
Loss per share attributable to ordinary equity holders of the Company	7		
– Basic (<i>HK cents</i>)		<u>(0.08)</u>	<u>(0.08)</u>
– Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2011

	Attributable to owners of the Company							Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1 January 2011	12,000	43,886	9,000	1,990	-	2	3,227	70,105
Total comprehensive loss for the period	-	-	-	-	-	(5)	(967)	(972)
Equity-settled share option arrangements	-	-	-	663	-	-	-	663
At 31 March 2011 (Unaudited)	12,000	43,886	9,000	2,653	-	(3)	2,260	69,796
At 1 January 2010	-	141	10,000	-	348	-	32,360	42,849
Acquisition of subsidiaries pursuant to the reorganisation	300	-	-	-	-	-	-	300
Share placement expenses	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(729)	(729)
Interim 2010 dividend	-	-	-	-	-	-	(8,500)	(8,500)
At 31 March 2010 (Unaudited)	300	141	10,000	-	348	-	23,131	33,920

NOTES TO THE FIRST QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 investment holding. The subsidiaries are principally engaged in the provision of corporate advisory services and related activities, including investment activities.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated first quarterly financial statements for the three months ended 31 March 2011 (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 (“HKICPA”), and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”).

The principal accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those used in the preparation of the Group’s financial statements for the year ended 31 December 2010.

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 had no material effect on the First Quarterly Financial Statements and there have been no significant changes to the accounting policies applied in these financial statements.

The First Quarterly Financial Statements have been prepared under the historical cost convention, except for equity and fund investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”), which is the Group’s functional currency. All values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents corporate advisory income and securities dealing commission and gain/(loss).

An analysis of revenue and other income and gains is as follows:

	Three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue		
Corporate advisory income	3,815	4,488
Securities dealing commission and gain/(loss)	(133)	4
	<u>3,682</u>	<u>4,492</u>
Other income and gains		
Interest income	78	25
Others	12	-
	<u>90</u>	<u>25</u>

4. OPERATING SEGMENT INFORMATION

The Group focuses on the provision of corporate advisory and related activities, including investment activities. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, is concentrated on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) for the three months ended 31 March 2011 and 2010.

	Three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – Hong Kong	<u>90</u>	<u>122</u>

There was no significant unprovided deferred tax for the relevant periods and at the end of each reporting period.

6. DIVIDEND

	Three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interim dividend distributed by subsidiaries (<i>Note</i>)	-	8,500

Note: The amount represents interim dividend declared and paid by the Company's subsidiaries to their then shareholders prior to the listing of the Company on the GEM of the Stock Exchange during the three months ended 31 March 2010. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of the First Quarterly Financial Statements.

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2011.

7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts for the three months ended 31 March 2011 is based on the unaudited consolidated loss of approximately HK\$967,000 attributable to ordinary equity holders of the Company for the three months ended 31 March 2011 (2010: approximately HK\$729,000) and the pro forma weighted average number of 1,200,000,000 shares in issue for the three months ended 31 March 2011 (2010: 900,000,000 shares as if they had been in issue throughout the period).

No adjustment had been made to the basic loss per share amounts presented for the three months ended 31 March 2011 as the conversion of the outstanding share options during the period had an anti-dilutive effect on the basic loss per share. There were no dilutive potential ordinary shares in existence for the three months ended 31 March 2010 and therefore no diluted loss per share amount has been presented.

8. APPROVAL OF THE FIRST QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 13 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in corporate advisory and related activities involving the provision of a variety of corporate finance advisory services with a primary focus on companies listed in Hong Kong. The scope of corporate advisory services and related activities offered by the Group includes one or more of the following:

- (i) the resumption of trading in the shares of companies listed on the Stock Exchange, the trading of which generally has been suspended for more than ten business days (“Corporate Resumption”);
- (ii) advising on corporate finance activities of companies (whether listed or unlisted), including mergers and acquisitions, arranging pre-initial public offering fund raising for listing candidates and acting as independent financial adviser to listed companies;
- (iii) acting as sponsor in initial public offering (“IPO”) and listing of shares on the Stock Exchange, advising listed companies on compliance requirements, and acting as compliance adviser to listed companies (whether post-IPO or post-resumption);
- (iv) services related to litigation support and distressed asset recovery; and
- (v) dealing and investment in securities, as principal and agent.

Corporate Resumption services of the Group remained active during the three months ended 31 March 2011 with one new case added during that period, building its portfolio to eight resumption cases. Two companies who engaged us and received the Stock Exchange’s in-principle, conditional approval for the resumption of trading of their shares in April and July 2010 suffered delays. The latest timetables suggest that resumption of both cases can take place in 2011. No in-principle, conditional approval for other Corporate Resumption cases was achieved during the reporting period, thus affecting the Group’s revenue in this area which is predominantly charged on milestone basis.

Slow Corporate Resumption also impedes our opportunities in underwriting and placing activities. During the three months ended 31 March 2011, the Group did not participate in any such activity.

The Group continues to generate income through advisory on corporate finance assignments, performing the role of compliance adviser for companies listed on the Main Board of the Stock Exchange and providing litigation support and distressed asset recovery services.

During the reporting period, the Board considered that certain costs incurred in relation to litigation support and distressed asset recovery services provided to two of its clients should be impaired.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review *(Continued)*

The Group's investment in the CEG-MCL Renaissance Fund Segregated Portfolio (the "Renaissance Fund") was largely refunded pursuant to the terms of fund as the investment manager had underinvested. Detailed terms of the Group's investment in the Renaissance Fund are contained in the section headed "Business" in the Company's prospectus dated 11 June 2010 (the "Prospectus").

During the reporting period, the Group traded in Hong Kong securities and recorded a loss of approximately HK\$0.13 million against a maximum investment exposure of approximately HK\$1.91 million.

The Group continues to explore avenues to deploy its capital through strengthening its underwriting and placing capabilities and identifying suitable investment opportunities.

Financial review

The Group's revenue for the three months ended 31 March 2011 was approximately HK\$3.68 million (2010: approximately HK\$4.49 million), representing a decrease of approximately 18.04% from that of 2010, as progress on Corporate Resumption services was much slower than had been expected, affecting fee income which was largely billed upon achieving milestones.

Operating expenses for the three months ended 31 March 2011 were approximately HK\$4.65 million (2010: approximately HK\$5.12 million, within which HK\$1.57 million related to IPO expenses), representing a decrease of approximately 9.18% for the corresponding period in 2010. Staff costs remained the biggest cost element. Excluding the effects of fair value provision for pre-IPO share options, staff costs for the period would have been approximately HK\$2.03 million, approximately 8.59% higher than the 2010 level because of a stronger staff complement. During the reporting period, the Group provided for an impairment in the amount of HK\$0.47 million in respect of an assignment in our litigation support and distressed asset recovery services.

Loss attributable to equity holders of the Company amounted to approximately HK\$0.97 million for the three months ended 31 March 2011 (2010: approximately HK\$0.73 million). Loss per share was approximately HK0.08 cents for the three months ended 31 March 2011 (2010: approximately HK0.08 cents).

Outlook

The Group has benefited from its listing which has strengthened its capital base and enhanced its profile. The Board continues to pursue the business strategy of diversifying its income streams in the wake of continued, world-wide economic uncertainties. Engagements on hand are keeping the management team busy. The Group will actively pursue underwriting and investment opportunities in fund raising activities especially when value propositions arise.

SHARE OPTIONS 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 Prospectus.

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

Options to subscribe for an aggregate of 120,000,000 shares at an exercise price of HK\$0.20 were granted to 24 participants by the Company, each at a consideration of HK\$1.00 under the Pre-IPO Share Option Scheme. All the available options under the Pre-IPO Share Option Scheme were granted on 10 June 2010 and no further options could be granted under the Pre-IPO Share Option Scheme thereafter.

As at 31 March 2011, details of the options granted under the Pre-IPO Share Option Scheme were as follows:

Name of grantee	Exercise period (dd/mm/yy)	Number of options				Outstanding as at 31 March 2011	Approximate percentage of issued share capital of the Company
		Outstanding as at 31 December 2010	Exercised during the period	Cancelled during the period	Lapsed during the period		
Directors							
Mr. YEUNG Kai Cheung Patrick (“Mr. Yeung”)	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. CHAN Hok Leung	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. XIN Luo Lin	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. CHAN Kai Nang	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.50%
Mr. YI Xiqun	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.50%
Employees and officers of the Group	10/06/12 – 09/06/20	61,500,000	-	-	-	61,500,000	5.12%
Consultant to the Group	10/06/12 – 09/06/20	3,000,000	-	-	(3,000,000)	-	-
Total		106,500,000	-	-	(3,000,000)	103,500,000	8.61%

SHARE OPTIONS SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holder in tranches in the following manner:

- (a) 10% of the option shall vest on 10 June 2012;
- (b) 20% of the option shall vest on 10 June 2013;
- (c) 30% of the option shall vest on 10 June 2014; and
- (d) 40% of the option shall vest on 10 June 2015.

Share Option Scheme

During the three months ended 31 March 2011, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 31 March 2011, interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, 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, were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of ordinary shares held	Number of underlying shares pursuant to share option	Aggregate interests	Approximate percentage of shareholding in the Company
Mr. Yeung	Interest of controlled corporation	630,000,000 <i>(Note 1)</i>	–	630,000,000	52.50%
	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. CHAN Hok Leung	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. XIN Luo Lin	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. CHAN Kai Nang	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.50%
Mr. YI Xiqun	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.50%

Notes:

1. These 630,000,000 shares are owned by Master Link Assets Limited (“Master Link”), a company whose entire issued share capital is owned by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 630,000,000 shares owned by Master Link.
2. These shares represent the underlying interest in shares pursuant to the options granted to the directors by the Company under the Pre-IPO Share Option Scheme. Further details are set out in the paragraph headed “Pre-IPO Share Option Scheme” under the section headed “Share Option Schemes” above.

Save as disclosed above, as at 31 March 2011, none of the directors and chief executive of the Company had any other 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 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 31 March 2011, 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 are 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 were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Master Link (<i>Note 1</i>)	Beneficial owner	630,000,000	52.50%
Mr. LIM Hua Min ("Mr. Lim") (<i>Note 2</i>)	Interest of controlled corporation	252,955,791	21.08%
Phillip Capital (HK) Limited ("Phillip Capital (HK)") (<i>Note 2</i>)	Beneficial owner	252,955,791	21.08%
Ms. LAM Pik Wah	Beneficial owner	90,000,000	7.50%

Notes:

1. Master Link is an investment holding company incorporated on 8 January 1999 under the laws of the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Yeung.
2. Phillip Capital (HK) is an investment holding company incorporated on 17 January 2006 under the laws of Hong Kong with limited liability, which is owned as to 85% by Mr. Lim. By virtue of the SFO, Mr. Lim is deemed to be interested in the 252,955,791 shares owned by Phillip Capital (HK).

Save as disclosed above, as at 31 March 2011, 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 is 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, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2011.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by VC Capital Limited ("VC Capital"), the compliance adviser of the Company, neither VC Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2011.

Pursuant to the agreement dated 17 June 2010 entered into between VC Capital and the Company, VC Capital received and will receive fees for acting as the compliance adviser of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 31 March 2011, the directors are not aware of any business or interest of the directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

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 are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Chan Kai Nang (chairman of the audit committee), Mr. Tsui Pui Yan and Mr. Yi Xiqun.

Since the listing of the Company on GEM of the Stock Exchange, the Group has engaged a professional accounting firm (the "Internal Auditors") to conduct regular internal audits and to report to the audit committee. The First Quarterly Financial Statements have been reviewed by the Internal Auditors and they confirm that they have not identified any matters that need to be brought to the attention of the audit committee.

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

By order of the Board
Asian Capital Holdings Limited
YEUNG Kai Cheung Patrick
Executive Chairman

Hong Kong, 13 May 2011

As at the date of this report, the Board comprises Mr. YEUNG Kai Cheung Patrick (executive chairman) and Mr. CHAN Hok Leung being executive directors; Mr. XIN Luo Lin (honorary chairman) being non-executive director; and Mr. YI Xiqun, Mr. CHAN Kai Nang and Mr. TSUI Pui Yan being independent non-executive directors.