



ASIAN CAPITAL HOLDINGS LIMITED

卓亞資本有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8295

Interim Report 2012



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

- Against the background of a wobbling world economy, revenue of the Group in the second quarter of 2012 was lifted by net securities gain, and attained approximately HK\$8.15 million (2011: approximately HK\$4.82 million), representing an increase of approximately 69.09% over that of the corresponding period in 2011. Revenue in the first half of 2012 therefore reached approximately HK\$18.19 million (2011: approximately HK\$8.51 million), more than twice as much of that of 2011.
- With higher rental and staff costs, operating expenses for the second quarter of 2012 escalated to approximately HK\$6.78 million (2011: approximately HK\$4.97 million), approximately 36.42% higher than that of the corresponding period in 2011. Operating expenses for the first half of 2012 rose to approximately HK\$11.27 million (2011: approximately HK\$9.62 million), approximately 17.15% higher than that of 2011.
- Profit before tax for the second quarter of 2012 was approximately HK\$1.54 million, compared to a small loss in the corresponding period in 2011. Profit before tax for the first six months of 2012 stood at approximately HK\$7.27 million (2011: loss of approximately HK\$0.96 million). Approximately HK\$8.47 million of the securities gain however remained unrealised as of 30 June 2012.
- Total comprehensive income for the second quarter of 2012 was approximately HK\$1.02 million (2011: loss of approximately HK\$0.09 million); and for the first six months of 2012, approximately HK\$5.61 million (2011: loss of approximately HK\$1.06 million).
- A placement for 240,000,000 new shares of the Company was completed on 19 March 2012, raising approximately HK\$24 million as new capital after expenses. With the Placing proceeds and retained profits, total equity attributable to ordinary equity holders of the Company increased to approximately HK\$123.68 million as at 30 June 2012 (31 December 2011: approximately HK\$92.47 million). The liquidity strength will allow the Group to take on opportunities that may emerge in the capital markets.
- Earnings per share for the six months ended 30 June 2012 was approximately HK0.42 cents (2011: loss per share of approximately HK0.09 cents).
- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012.

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 and six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding periods ended 30 June 2011, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	8,147	4,824	18,190	8,506
Other income and gains	3	170	70	356	160
Operating expenses		(6,775)	(4,972)	(11,274)	(9,621)
Profit/(Loss) before tax	5	1,542	(78)	7,272	(955)
Income tax expense	6	(527)	(7)	(1,667)	(97)
Profit/(Loss) for the period		1,015	(85)	5,605	(1,052)
Other comprehensive loss for the period:					
Revaluation surplus realised upon redemption of available-for-sale investments		-	-	-	(2)
Change in fair value of available-for-sale investments		-	-	-	(3)
		-	-	-	(5)
Total comprehensive income/ (loss) for the period		1,015	(85)	5,605	(1,057)
Earnings/(Loss) per share attributable to ordinary equity holders of the Company	8				
- Basic (HK cents)		0.07	(0.01)	0.42	(0.09)
- Diluted (HK cents)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	9	1,108	1,333
Intangible asset		866	866
Deposits		100	100
		<hr/>	<hr/>
Total non-current assets		2,074	2,299
Current assets			
Trade receivables	10	3,785	2,088
Prepayments, deposits and other receivables		2,218	1,352
Investments at fair value through profit or loss		36,604	28,078
Cash held on behalf of clients	11	41	78
Cash and cash equivalents		86,759	66,445
		<hr/>	<hr/>
Total current assets		129,407	98,041
Current liabilities			
Trade payables	12	118	78
Other payables and accruals		2,743	4,514
Tax payable		4,944	3,277
		<hr/>	<hr/>
Total current liabilities		7,805	7,869
		<hr/>	<hr/>
Net current assets		121,602	90,172
		<hr/>	<hr/>
Net assets		123,676	92,471
Equity			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	14,400	12,000
Reserves		109,276	80,471
		<hr/>	<hr/>
Total equity		123,676	92,471
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

Attributable to ordinary equity holders of the Company

	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Available- for-sale investment revaluation reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2012	12,000	43,886	9,000	3,632	-	23,953	92,471
Total comprehensive income for the period	-	-	-	-	-	5,605	5,605
Placing of new shares	2,400	22,800	-	-	-	-	25,200
Share placement expenses	-	(788)	-	-	-	-	(788)
Equity-settled share option arrangements	-	-	-	1,188	-	-	1,188
At 30 June 2012 (Unaudited)	14,400	65,898	9,000	4,820	-	29,558	123,676
At 1 January 2011	12,000	43,886	9,000	1,990	2	3,227	70,105
Total comprehensive loss for the period	-	-	-	-	(5)	(1,052)	(1,057)
Equity-settled share option arrangements	-	-	-	1,272	-	-	1,272
At 30 June 2011 (Unaudited)	12,000	43,886	9,000	3,262	(3)	2,175	70,320

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	(4,425)	908
Net cash inflow from investing activities	327	1,267
Net cash inflow from financing activities	24,412	–
Net increase in cash and cash equivalents	20,314	2,175
Cash and cash equivalents at beginning of period	66,445	62,848
Cash and cash equivalents at end of period	86,759	65,023

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2012

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 (the "Shares") 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 as well as investment activities.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" 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 of the Stock Exchange (the "GEM Listing Rules").

The principal accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011. However, the Interim Financial Statements do not include all of the information required for annual financial statements and they should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations that first became effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the Interim Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

The Interim Financial Statements have been prepared under the historical cost convention, except for investments at fair value through profit or loss and available-for-sale investments which have been measured at fair value. The Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the Group's functional currency. All values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

All intra-group balances, transactions, unrealised 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, placing and underwriting service income/commission and securities dealing commission and gain/(loss).

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

	Three months ended 30 June		Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue				
Corporate advisory income	4,789	4,950	7,723	8,766
Placing and underwriting service income/commission	98	–	98	–
Securities dealing commission and gain/(loss), net	3,260	(126)	10,369	(260)
	<u>8,147</u>	<u>4,824</u>	<u>18,190</u>	<u>8,506</u>
Other income and gains				
Interest income	170	56	356	134
Others	–	14	–	26
	<u>170</u>	<u>70</u>	<u>356</u>	<u>160</u>

4. OPERATING SEGMENT INFORMATION

The Group focuses on the provision of corporate advisory services and related activities as well as investment activities. Information reported to the Group's chief operating decision maker, for the purpose of resources 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. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Depreciation	108	108	254	191
Minimum lease payments under operating leases on land and buildings	663	378	1,328	753
Employee expenses (including directors' remuneration)	4,744	3,409	7,634	6,141

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the three months and six months ended 30 June 2012 and 2011.

	Three months ended 30 June		Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current – Hong Kong	<u>527</u>	<u>7</u>	<u>1,667</u>	<u>97</u>

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

7. DIVIDENDS

The Board does not recommend payment of an interim dividend for the three months and six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share for the three months and six months ended 30 June 2012 are calculated based on the unaudited consolidated profits of approximately HK\$1,015,000 and approximately HK\$5,605,000 attributable to ordinary equity holders of the Company for respectively the three months and six months periods ended 30 June 2012 (three months and six months ended 30 June 2011: consolidated loss of approximately HK\$85,000 and HK\$1,052,000, respectively), divided by 1,440,000,000 and 1,337,142,857 being the weighted average number of Shares in issue for each of the three months and six months ended 30 June 2012, respectively (three months and six months ended 30 June 2011: 1,200,000,000 Shares).

No adjustments have been made to the basic earnings per share amounts presented for the three months and six months ended 30 June 2012, as the conversion of the outstanding share options during the period had an anti-dilutive effect on the basic earnings per share. No adjustments were made to the basic loss per share presented for the three months and six months ended 30 June 2011, as the Group had no diluting events that existed during the periods.

9. PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of plant and equipment with a cost of approximately HK\$29,000 (2011: HK\$1,343,000). During the six months ended 30 June 2012 and 2011, no items of plant and equipment were disposed of.

10. TRADE RECEIVABLES

The Group's trade receivables arose from the provision of corporate advisory, placing and underwriting services and securities dealings during the relevant periods.

The Group's trading term with its customers is that payment is due upon the issuance of invoices. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of provision, is as follows:

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Current to 30 days	3,449	933
31 to 60 days	278	150
61 to 90 days	50	80
Over 90 days	8	925
	<u>3,785</u>	<u>2,088</u>

11. CASH HELD ON BEHALF OF CLIENTS

The Group's licensed subsidiary maintains a segregated trust account with a licensed bank to hold clients' monies arising from its normal course of business. This subsidiary has classified the clients' monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use clients' monies to settle its own obligations.

12. TRADE PAYABLES

The aged analysis of the Group's trade payables as at the end of each reporting period, based on the settlement due date, was current to 30 days (31 December 2011: current to 30 days). The sum as at 30 June 2012, which represented clients' trust funds, has been segregated in the trust accounts as described in note 11 to the Interim Financial Statements.

13. SHARE CAPITAL

	<i>Note</i>	Number of shares	Nominal value HK\$
Authorised			
As at 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012		<u>10,000,000</u>	<u>100,000,000</u>
Issued			
As at 1 January 2011, 30 June 2011 and 31 December 2011		1,200,000,000	12,000,000
Placing of new shares	(a)	<u>240,000,000</u>	<u>2,400,000</u>
As at 30 June 2012		<u>1,440,000,000</u>	<u>14,400,000</u>

Note:

- (a) A conditional placing agreement dated 8 March 2012 (the "Placing Agreement") was entered into between the Company and its wholly-owned subsidiary, Asian Capital (Corporate Finance) Limited ("Asian Capital") in relation to the placing of up to 240,000,000 new Shares (the "Placing") by Asian Capital on a best effort basis pursuant to the terms of the Placing Agreement. The Placing was successfully completed on 19 March 2012. An aggregate of 240,000,000 Shares were placed to not less than six independent placees. The placing price was HK\$0.105 per Share, and the net proceeds from the Placing amounting to approximately HK\$24 million are used by the Group for general working capital and business development purposes.

14. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2012, the Group generated corporate advisory income in the sum of approximately HK\$774,000 from two clients both of whom were Hong Kong listed companies. The non-executive director of the Company is an independent non-executive director of one of the clients, he was also a former non-executive director of the other client. The income so derived was determined by reference to market rates and agreed on an arm's length basis.
- (b) During the six months ended 30 June 2011, the Group generated corporate advisory income of approximately HK\$519,000, which were determined and agreed on an arm's length basis, from a Hong Kong listed company client, a non-executive director of which at that time was also a non-executive director of the Company.
- (c) Compensation of key management personnel of the Group inclusive of provision for discretionary bonuses

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term employees benefits	1,643	963	2,256	1,559
Post-employment benefits	6	6	12	12
Equity-settled share option expense	266	186	471	387
	<u>1,915</u>	<u>1,155</u>	<u>2,739</u>	<u>1,958</u>
Total compensation for key management personnel				

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group:

- (i) entered into an underwriting agreement for an open offer of a Hong Kong listed company client in the course of its financial restructuring, giving rise to a commitment of approximately HK\$58.34 million. The Group has procured the investor of the listed company client to be a sub-underwriter to subscribe for up to the entire sum; and
- (ii) realised approximately HK\$10 million of its investments that subsisted in the Group's statement of financial position as at 30 June 2012 at a small profit.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 7 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Corporate resumption services of the Group remained active during the six months ended 30 June 2012 with three new cases taken on, bringing its portfolio to seven resumption cases. First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (Stock Code: 1076), one such case being serviced by the Group, received the Stock Exchange's further time extension for resumption conditions to be satisfied by 30 September 2012.

During the first half of 2012, despite a general slowdown in corporate activities in the market, the Group continued to generate a reasonable level of corporate advisory activities, which included executing mergers and acquisitions ("M&A") assignments, performing the role of compliance adviser for companies listed on the Main Board of the Stock Exchange, as well as providing litigation support and distressed asset recovery services. During the reporting period, the Group worked on two initial public offering ("IPO") mandates. Whilst the listing application of one such case had been submitted in March 2012 for vetting, work on the other unfortunately had been suspended in June 2012.

In March 2012, the Company successfully completed the placing of 240,000,000 Shares and raised approximately HK\$24 million after expenses. Details of the Placing are described in note 13 to the Interim Financial Statements. The Placing has strengthened the Group's working capital, affording it better flexibility in undertaking underwriting, placement and investment activities. Approximately HK\$3.27 million was applied towards taking up the placement on an underwritten basis in respect of shares arising from a completed corporate resumption case, previously referred to (under the section headed "Capital commitment") in the Company's 2011 annual report.

During the reporting period, the Group was active in securities dealing and realised some of its investments. Investments continued to be performing albeit the majority of the recorded gain remained unrealised as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review

The Group's overall revenue for the six months ended 30 June 2012 reached approximately HK\$18.19 million (2011: approximately HK\$8.51 million), more than double that of the corresponding period in 2011. Corporate advisory income for the first half of 2012 was approximately HK\$7.72 million (2011: approximately HK\$8.77 million), approximately 11.97% less than the corresponding period but the shortfall was more than compensated by revenue from net securities gain arising from investments held. With a fairly subdued equities capital market during the six months ended 30 June 2012, the Group was nevertheless able to complete its own Placing for a net capital of approximately HK\$24 million (as described in note 13 to the Interim Financial Statements), as well as the placement of shares arising from a completed corporate resumption case (referred to in the Company's 2011 annual report, under the section headed "Capital commitment") for approximately HK\$3.27 million, generating a placing and underwriting income of approximately HK\$0.10 million (2011: Nil). Revenue from net securities gain (both realised and unrealised) of approximately HK\$10.37 million (2011: net loss of approximately HK\$0.26 million) contributed significantly to the Group's bottom line. These investments arose primarily from the Group's corporate advisory activities. Approximately HK\$8.47 million from the securities gain however remain unrealised as at 30 June 2012.

Operating expenses for the six months ended 30 June 2012 were approximately HK\$11.27 million (2011: approximately HK\$9.62 million), representing an increase of approximately 17.15% for the corresponding period in 2011. Following the renewal of tenancy agreements at the end of 2011, rental cost increased by approximately 76.36% compared to the corresponding period in 2011. Staff costs rose by approximately 24.31% compared to 2011, and remained the largest cost component, representing approximately 67.71% of the operating expenses for the first half of 2012 (2011: approximately 63.83%).

Accordingly, the Group recorded a total comprehensive income for the six months ended 30 June 2012 of approximately HK\$5.61 million (2011: loss of approximately HK\$1.06 million). Earnings per share for the six months ended 30 June 2012 was approximately HK0.42 cents (2011: loss per share of approximately HK0.09 cents).

The net assets value of the Group as at 30 June 2012 stood at approximately HK\$123.68 million (31 December 2011: approximately HK\$92.47 million), which was approximately 33.75% higher than that as at 31 December 2011, as a result of the Placing and profits retained. The net assets value per share as at 30 June 2012 was approximately HK8.59 cents (31 December 2011: approximately HK7.71 cents).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources

The Group adopted a prudent financial management strategy and maintained a healthy liquidity position as at 30 June 2012. The Group had cash and cash equivalents of approximately HK\$86.76 million as at 30 June 2012 (31 December 2011: approximately HK\$66.45 million). As at 30 June 2012, the Group had net current assets of approximately HK\$121.60 million (31 December 2011: approximately HK\$90.17 million). Current ratio as at 30 June 2012 was approximately 16.58 (31 December 2011: approximately 12.46).

The Group's operations and investments were financed principally by revenues generated from business operations and available bank balances. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 30 June 2012 (31 December 2011: Nil).

For the six months ended 30 June 2012, the Group had minimal exposure to foreign currency risks as most of the business transactions, assets and liabilities were denominated in Hong Kong dollars. The Group will continue to monitor its foreign currency exposure closely and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

Capital structure

Save for the Placing as disclosed in note 13 to the Interim Financial Statements, there has been no change in the capital structure of the Company during the six months ended 30 June 2012. The capital of the Company comprises only ordinary shares.

Total equity attributable to ordinary equity holders of the Company amounted to approximately HK\$123.68 million as at 30 June 2012 (31 December 2011: approximately HK\$92.47 million). This increase was mainly attributable to the funds raised from the Placing and increase in the retained profits.

Commitments

As at 30 June 2012, the Group did not have any significant commitments (31 December 2011: approximately HK\$3.27 million).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Information on employees

The Group places strong emphasis on attracting, engaging, training and retaining professional talents, and regards human resources as a cornerstone in the Group's ability to secure and deliver its advisory services and manage its assets. Its policy is to determine remuneration and terms of service by reference to the relevant director's and staff's qualifications, experience, level of responsibilities, capabilities, workload and performance, having regard to market conditions and performance of the business units and the Group as a whole.

On top of basic salaries, bonuses are paid to professional staff by reference to the performance of the business units and of the Group as well as that of the individuals. Generally a bonus of one month's basic salary is paid to supporting staff. In addition to other staff benefits including contributions to mandatory provident fund scheme in Hong Kong and social insurance in the People's Republic of China (the "PRC") for PRC based staff, medical insurance, education subsidy and training are offered to employees. All directors and employees who were with the Group since the time of listing of the Company on GEM (the "Listing") are eligible to pre-IPO share options.

As at 30 June 2012, the Group employed 24 employees (including executive directors) and one contractor (31 December 2011: 21 employees). Total staff costs (including directors' emoluments and fair value charge for the Group's pre-IPO share options) were approximately HK\$7.63 million for the six months ended 30 June 2012 (approximately HK\$6.14 million for the six months ended 30 June 2011).

Charges on assets

As at 30 June 2012, the Group did not have any charges on its assets (31 December 2011: Nil).

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: Nil).

Future plans for material investments or capital assets

The Group had no plans for material investments or acquisitions of capital assets as at 30 June 2012, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of its business.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Transfer of listing

The Company has submitted a formal application to the Stock Exchange on 16 April 2012 for the transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange (the “Proposed Transfer”) pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange. The Board believes that the listing of the Shares on the Main Board of the Stock Exchange will enhance the profile of the Group and increase the trading activities of the Shares. The Board considers that the Proposed Transfer will be beneficial to the future growth, funding versatility and business development of the Group. The Stock Exchange is reviewing the Proposed Transfer and as at the date of this report, an approval has not yet been granted by the Stock Exchange and there is no assurance that such approval will be obtained from the Stock Exchange. The Board currently has no intention to change the nature of business of the Group following the Proposed Transfer.

Outlook

The global financial markets resting on the three legs of Europe, the United States and the PRC can at best be described as sitting on a wobbly stool. It is by no means certain that any of these three legs will give way, resulting in the stool being toppled. Meanwhile, the PRC’s policy crossroad in respect of containing property prices continues to affect PRC property companies and their fund raising capabilities.

The Group’s financial condition, having been strengthened through retained profits and the Placing, is poised to taking on as investments value propositions in equities and other financial assets. As the economy becomes more fragile, the Group’s sound experience and track record in the corporate resumption business can be put to good use for clients that require assistance.

The Group has one IPO mandate on hand for proposed listing in 2012 and is actively bidding for more. Along with corporate resumption and other fund raising and M&A mandates, together with the investments that the Group has made, the directors of the Company (the “Directors”) believe that the Group’s business will sustain well despite unstable macroeconomic developments. Investments which were marked to market as at 30 June 2012 however are subject to market risks associated with investments and may impact the Group’s profitability from time to time.

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS

An analysis comparing the future plans and prospects as stated in the Company's prospectus dated 11 June 2010 (the "Prospectus") with the Group's actual business progress for the period from 1 January 2012 to 30 June 2012 (the "Relevant Period") is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
1. Enhancement of technical competence	Recruit additional professional with relevant experience/qualifications in corporate advisory and/or supporting staff	Three staff at executive level were recruited. Professional development courses have been attended by executive staff as an ongoing process to enhance their technical competence and skills.
2. Expansion of alliance network	Continue to explore existing and new client network and alliances and develop a stronger relationship with Phillip Capital (HK) Limited ("Phillip Capital (HK)") and Phillip Securities (Hong Kong) Limited (collectively, the "Phillip Capital Group") in Hong Kong and the PRC	Relationship with the Phillip Capital Group and other securities firms continued to be cordial with regular business cross referrals. Regular client/business associates gathering organized to explore business opportunities and foster good relationships.
3. Improvement of public awareness	Participate in seminars and related activities promoting the Group's corporate advisory services	The Group made donations and sponsored scholarships. Its executives participated in no less than 33 seminars during the period to enhance corporate exposures. The executive chairman of the Company served as a judge in the 2011/12 Junior Achievement Hong Kong Company Programme. He also spoke at one seminar to postgraduate students of The Hong Kong Polytechnic University.
4. Taking a more active role in fund raising and investment activities	Involve in underwriting, placing and/or investment activities	The Group participated in one intra-group placing as described in note 13 to the Interim Financial Statements and concluded a placement arising from a completed corporate resumption case by taking it up as an investment. As at 30 June 2012, the Group's investments at fair value amounted to approximately HK\$36.60 million.

USE OF PROCEEDS

The net proceeds from the placing of the Shares in the Listing were approximately HK\$49.34 million. The future plans and prospects as stated in the Prospectus were formulated based on the estimation of the future market conditions at the time of preparing the Prospectus. The Directors are mindful of the financial performance of the Group in engaging actual costs and capital expenditure. The proceeds were conservatively applied having regard to ongoing market conditions. During the Relevant Period, the net proceeds from the placing of the Shares in the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Relevant Period (HK\$'000)	Actual use of proceeds during the Relevant Period (HK\$'000)
Enhancement of technical competence	500	493
Expansion of alliance network (<i>Note 1</i>)	100	25
Improvement of public awareness (<i>Note 2</i>)	100	38
Taking a more active role in fund raising and investment activities (<i>Note 3</i>)	—	—
	<hr/>	<hr/>
Total	700	556

Notes:

1. Amounts spent on expansion of alliance network were lower than expected as clients and business associates shared most of the costs.
2. Expenditure on improvement of public awareness was less than planned as the Group had ceased to engage the services of public relation companies since the end of 2010.
3. As at 30 June 2012, the Group's investments at fair value amounted to approximately HK\$36.60 million. The Group's capital continues to serve as available funds to support underwriting, placing and investment activities for equities or other financial assets when opportunities arise. Surplus cash is placed on short or medium term deposits with Hong Kong licensed banks.

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 by the Company to 24 participants, 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. Eight participants have since resigned and their share options lapsed pursuant to the Pre-IPO Share Option Scheme.

As at 30 June 2012, 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 30 June 2012	Approximate percentage of issued share capital of the Company
		Outstanding as at 31 December 2011	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	0.69%
Mr. CHAN Hok Leung	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.69%
Mr. XIN Luo Lin	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.69%
Mr. CHAN Kai Nang	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.42%
Mr. YI Xiqun	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.42%
Employees of the Group	10/06/12 – 09/06/20	<u>50,000,000</u>	-	-	-	<u>50,000,000</u>	<u>3.47%</u>
Total		<u>92,000,000</u>	-	-	-	<u>92,000,000</u>	<u>6.38%</u>

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 were vested 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 six months ended 30 June 2012, 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 30 June 2012, 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:

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

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	700,400,000 (Note 1)	-	700,400,000	48.64%
	Beneficial owner	-	10,000,000 (Note 2)	10,000,000	0.69%
Mr. CHAN Hok Leung	Beneficial owner	3,500,000	10,000,000 (Note 2)	13,500,000	0.94%
Mr. XIN Luo Lin	Beneficial owner	-	10,000,000 (Note 2)	10,000,000	0.69%
Mr. CHAN Kai Nang	Beneficial owner	-	6,000,000 (Note 2)	6,000,000	0.42%
Mr. YI Xiquan	Beneficial owner	-	6,000,000 (Note 2)	6,000,000	0.42%
Mr. TSUI Pui Yan	Beneficial owner	1,000,000	-	1,000,000	0.07%

Notes:

1. These shares represent 630,000,000 Shares owned by Master Link Assets Limited ("Master Link") and 70,400,000 Shares owned by Allied Target Holdings Limited ("Allied Target").

Master Link is wholly and beneficially owned by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 630,000,000 Shares held by Master Link.

In addition to the interest in 630,000,000 Shares held through Master Link, 70,400,000 Shares are held by Allied Target which is owned as to 70% by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the Shares held by Allied Target.

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 30 June 2012, 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 30 June 2012, 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 were 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	43.75%
Mr. LIM Hua Min ("Mr. Lim") (<i>Note 2</i>)	Interest of controlled corporation	252,955,791	17.57%
Phillip Capital (HK) (<i>Note 2</i>)	Beneficial owner	252,955,791	17.57%
Ms. LAM Pik Wah	Beneficial owner	90,000,000	6.25%

Notes:

1. Master Link is an investment holding company, the entire issued share capital of which is wholly and beneficially owned by Mr. Yeung.
2. Phillip Capital (HK) is an investment holding company 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 30 June 2012, 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 was 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

Save for the Placing as disclosed in note 13 to the Interim Financial Statements, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

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 30 June 2012.

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 six months ended 30 June 2012, 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.

DISCLOSURE OF UPDATED INFORMATION ON DIRECTOR PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Mr. Xin Luo Lin, the non-executive Director and honorary chairman of the Company, has ceased to act as a non-executive director of Sino-Tech International Holdings Limited (Stock Code: 724), a company listed on the Main Board of the Stock Exchange, on 8 June 2012.

Remuneration of Mr. Chan Hok Leung, an executive Director, has been adjusted such that he is entitled to an annual salary of HK\$1,140,000 (2011: HK\$1,080,000), a contingent bonus of up to HK\$1,000,000 (2011: HK\$980,000) per annum, an annual director's fee of HK\$12,000 (2011: HK\$12,000) and a discretionary bonus.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules during the reporting period, except code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles. With their strong business and governance experience, the Directors do not expect any issues would arise due to the combined role of Mr. Yeung. The Group also has in place an internal control system, including the engagement of a professional accounting firm (the "Internal Auditors") to conduct internal audit, to perform the check and balance function.

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, the Group has engaged the Internal Auditors to conduct regular internal audits and to report their findings to the audit committee. The Interim 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 Interim Financial Statements and is of the opinion that the preparation of those 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, 7 August 2012

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.