



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 2013



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

- Helped by the advisory fee arising from a successful distressed asset recovery assignment, the Group's corporate advisory income for the three months ended 31 March 2013 attained HK\$6.34 million (2012: approximately HK\$2.93 million), a strong growth of approximately 116.12% compared to the corresponding period last year. Unfortunately, securities dealing commission and investment loss of approximately HK\$4.36 million (2012: securities dealing commission and investment income of approximately HK\$7.11 million) undermined the overall performance, and resulted in the total revenue fallen to approximately HK\$1.98 million (2012: approximately HK\$10.04 million), representing a decline of approximately 80.32% compared to the corresponding period last year.
- Operating expenses for the three months ended 31 March 2013 were approximately HK\$7.21 million (2012: approximately HK\$4.50 million), representing an increase of approximately 60.17% compared with that of the corresponding period last year. This increase was mainly attributable to the professional fee incurred in the distressed asset recovery assignment. Apart from the abovementioned professional fee, operating expenses, including staff cost which was the largest component, were kept at the 2012 level.
- The Group therefore suffered a total comprehensive loss for the three months ended 31 March 2013 of approximately HK\$5.08 million (2012: income of approximately HK\$4.59 million).
- Loss per share for the three months ended 31 March 2013 was approximately HK0.35 cents (2012: earnings per share of approximately HK0.37 cents).
- The Board does not recommend payment of an interim dividend for the three months ended 31 March 2013.



The board (the “Board”) of directors (the “Directors”) 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 2013 together with comparative unaudited figures for the corresponding period in 2012, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	Notes	Three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	<u>1,977</u>	10,043
Other income and gains, net	3	<u>150</u>	186
Operating expenses		<u>(7,206)</u>	(4,499)
(Loss)/Profits before tax		<u>(5,079)</u>	5,730
Income tax expense	5	<u>-</u>	(1,140)
(Loss)/Profits for the period		<u>(5,079)</u>	4,590
Total comprehensive (loss)/income for the period		<u>(5,079)</u>	4,590
(Loss)/Earnings per share attributable to ordinary equity holders of the Company	6		
– Basic (HK cents)		<u>(0.35)</u>	0.37
– Diluted (HK cents)		<u>N/A</u>	N/A



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2013*

	Attributable to ordinary equity holders of the Company					
	Issued capital <i>HK\$'000</i> (Unaudited)	Share premium account <i>HK\$'000</i> (Unaudited)	Contributed surplus <i>HK\$'000</i> (Unaudited)	Share option reserve <i>HK\$'000</i> (Unaudited)	Retained profits <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 January 2013	14,400	65,898	9,000	5,913	22,334	117,545
Total comprehensive loss for the period	-	-	-	-	(5,079)	(5,079)
Equity-settled share option arrangements	-	-	-	382	-	382
At 31 March 2013 (Unaudited)	14,400	65,898	9,000	6,295	17,255	112,848
At 1 January 2012	12,000	43,886	9,000	3,632	23,953	92,471
Total comprehensive income for the period	-	-	-	-	4,590	4,590
Placing of new shares	2,400	22,800	-	-	-	25,200
Share placement expenses	-	(788)	-	-	-	(788)
Equity-settled share option arrangements	-	-	-	516	-	516
At 31 March 2012 (Unaudited)	14,400	65,898	9,000	4,148	28,543	121,989



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

31 March 2013

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, as well as investment activities.

2. BASIS OF PREPARATION

The unaudited condensed consolidated first quarterly financial statements for the three months ended 31 March 2013 (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 of the Stock Exchange (the “GEM Listing Rules”).

The principal accounting policies used in the preparation of the First Quarterly Financial Statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2012. However, the First Quarterly 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 2012.

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

The First Quarterly 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, NET

Revenue, which is also the Group's turnover, represents corporate advisory income and securities dealing commission and investment income.

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

	Three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue		
Corporate advisory income	6,341	2,934
Securities dealing commission and investment (loss)/income	(4,364)	7,109
	<u>1,977</u>	<u>10,043</u>
Other income and gains, net		
Interest income from bank balances	150	186
	<u>150</u>	<u>186</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. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) for the three months ended 31 March 2013 and 2012.

	Three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current – Hong Kong	–	1,140
	<u>–</u>	<u>1,140</u>

There was no significant unprovided deferred tax for the relevant period.

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

The calculation of basic loss per share for the three months ended 31 March 2013 is based on the unaudited consolidated loss of approximately HK\$5,079,000 attributable to ordinary equity holders of the Company for the three months ended 31 March 2013 (2012: consolidated profits of approximately HK\$4,590,000) and the weighted average number of 1,440,000,000 shares in issue for the three months ended 31 March 2013 (2012: 1,234,285,714 shares).

No adjustment had been made to the basic (loss)/earnings per share presented for the three months ended 31 March 2013 and 2012, as share options had anti-dilutive effect on the basic (loss)/earnings per share.

7. DIVIDENDS

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 10 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group continued to be active in corporate advisory and related activities during the three months ended 31 March 2013. During the reporting period, the Group has completed one corporate resumption for Sino-Tech International Holdings Limited (stock code: 724) and managed to successfully conclude a distressed asset recovery assignment.

While market turnover and sentiment improved somewhat in the first month of 2013, Cyprus served as a troubling reminder that structural problems in the Eurozone remain, and the Hang Seng Index and market turnover trailed in the subsequent two months. Although corporate activities and transactions in general remain tempered during the reporting period, the Group continued to generate income from the provision of a range of corporate finance advisory services, which included executing fund raising, merger and acquisition (“M&A”) assignments and acting as retained adviser and compliance adviser for companies listed on the Main Board of the Stock Exchange. During the reporting period, the Group continued to work on two ongoing initial public offering (“IPO”) engagements.

The investments in securities held by the Group produced a fair value loss of approximately HK\$4.39 million (2012: fair value gain of approximately HK\$6.09 million) during the reporting period. This contributed significantly to the Group recording a total comprehensive loss for the three months ended 31 March 2013.

Financial review

Helped by the advisory fee arising from a successful distressed asset recovery assignment, the Group's corporate advisory income for the three months ended 31 March 2013 attained HK\$6.34 million (2012: approximately HK\$2.93 million), a strong growth of approximately 116.12% compared to the corresponding period last year. Unfortunately, securities dealing commission and investment loss of approximately HK\$4.36 million (2012: securities dealing commission and investment income of approximately HK\$7.11 million) undermined the overall performance, and resulted in the total revenue fallen to approximately HK\$1.98 million (2012: approximately HK\$10.04 million), representing a decline of approximately 80.32% compared to the corresponding period last year.

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The Group therefore suffered a total comprehensive loss for the three months ended 31 March 2013 of approximately HK\$5.08 million (2012: income of approximately HK\$4.59 million). Loss per share for the three months ended 31 March 2013 was approximately HK0.35 cents (2012: earnings per share of approximately HK0.37 cents).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook

Whilst governments are expanding their balance sheets, banks are doing the opposite in the face of stricter regulations. The global economic and financial conditions remain unsettled. With clouded local government debts and property sector issues, China's maintenance of a sustained gross domestic product growth is becoming more challenging. Despite these, there is a growing appetite for corporate actions and transactions and the Group is actively pursuing these new deals. Locally, the Securities and Futures (Amendment) Ordinance 2012 governing inside information (previously termed price sensitive information under the listing rules of Hong Kong) took effect on 1 January 2013, and the regulators are continuing to tighten the standards for IPOs. The Group is acutely aware of the enhanced standards expected of us, and has undertaken a substantial review to update its internal control procedures.

As at the end of the reporting period, the Group had two IPO mandates on hand for proposed listing in 2013. Together with five existing corporate resumption, other corporate advisory, fund raising, asset recovery and M&A mandates, the Directors believe that activities will pick up and the Group will sustain well amid unstable macroeconomic developments, and will be able to seize new opportunities that will enhance the long term growth and prosperity of the business of the Group.

The Group is rich in cash and will continue to identify suitable underwriting, placing and other investment opportunities to enhance its profitability and diversify its income source. The Group's investment portfolio as at 31 March 2013 amounted to over HK\$27 million. These however are subject to market risks associated with investments and may impact the Group's profitability from time to time.

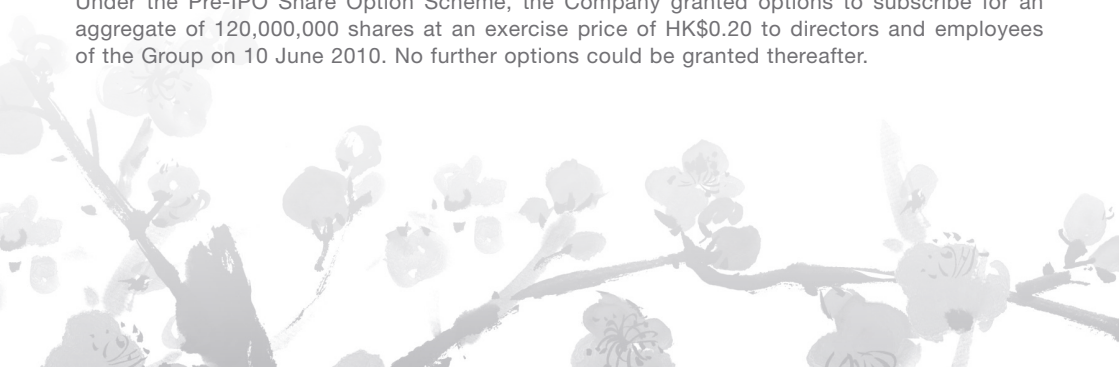
SHARE OPTIONS SCHEMES

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 Company's prospectus dated 11 June 2010.

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

Under the Pre-IPO Share Option Scheme, the Company granted options to subscribe for an aggregate of 120,000,000 shares at an exercise price of HK\$0.20 to directors and employees of the Group on 10 June 2010. No further options could be granted thereafter.



SHARE OPTIONS SCHEMES *(Continued)***Pre-IPO Share Option Scheme** *(Continued)*

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31 March 2013 were as follows:

Name of grantee	Exercise period (dd/mm/yy)	Number of options				Outstanding as at 31 March 2013	Approximate percentage of issued share capital of the Company
		Outstanding as at 31 December 2012	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	44,150,000	-	-	(150,000)	44,000,000	3.06%
Total		86,150,000	-	-	(150,000)	86,000,000	5.97%

The terms of the Pre-IPO Share Option Scheme are such that options granted under the 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 three months ended 31 March 2013, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 31 March 2013, 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	769,660,000 (Note 1)	–	769,660,000	53.45%
	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 699,260,000 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 699,260,000 shares held by Master Link.

Allied Target is owned as to 70% by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 70,400,000 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.

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

Save as disclosed above, as at 31 March 2013, 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 2013, 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:

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	699,260,000	48.56%
Mr. LIM Hua Min ("Mr. Lim") <i>(Note 2)</i>	Interest of controlled corporation	252,955,791	17.57%
Phillip Capital (HK) Limited ("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).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, as at 31 March 2013, 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 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2013, 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 nor any 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 Auditor") to conduct regular internal audits and to report their findings to the audit committee. The First Quarterly Financial Statements have been reviewed by the Internal Auditor 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 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, 10 May 2013

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. CHAN Kai Nang, Mr. TSUI Pui Yan and Mr. Yi Xiqun being independent non-executive Directors.

