



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 2014

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

- Continued momentum for strong corporate advisory fee revenue for HK\$5.02 million (2013: HK\$6.34 million) derived from a diversified portfolio of advisory assignments of varying nature was undermined by investment mark-to-market loss, which, after some mitigation by gain on certain disposal and securities dealing commission, amounted to HK\$0.64 million. This dragged the overall revenue for the three months ended 31 March 2014 down to HK\$4.38 million (2013: HK\$1.98 million, net of securities dealing commission and investment loss of HK\$4.36 million).
- Operating expenses for the three months ended 31 March 2014 stood at HK\$5.19 million (2013: HK\$7.21 million), after having accorded some rise in staff costs but no longer required to provide for outsourced professional fee for distressed asset recovery as in 2013.
- Allowing for tax for profitable operating units, the Group recorded a total comprehensive loss for the three months ended 31 March 2014 of HK\$0.83 million (2013: HK\$5.08 million).
- Loss per share for the three months ended 31 March 2014 was approximately HK0.06 cents (2013: HK0.35 cents).
- The Board does not recommend payment of an interim dividend for the three months ended 31 March 2014 (2013: Nil).

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 2014 together with comparative unaudited figures for the corresponding period in 2013, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

	Notes	Three months ended	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	<u>4,384</u>	<u>1,977</u>
Other income and gains	3	84	150
Operating expenses		<u>(5,193)</u>	<u>(7,206)</u>
Loss before tax		<u>(725)</u>	<u>(5,079)</u>
Income tax expense	5	<u>(103)</u>	<u>–</u>
Loss for the period		<u>(828)</u>	<u>(5,079)</u>
Total comprehensive loss for the period		<u>(828)</u>	<u>(5,079)</u>
Loss per share attributable to ordinary equity holders of the Company	6		
– Basic (HK cents)		<u>(0.06)</u>	<u>(0.35)</u>
– Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	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)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2014	14,400	65,898	9,000	8,179	30,969	128,446
Total comprehensive loss for the period	-	-	-	-	(828)	(828)
Equity-settled share option arrangements	-	-	-	252	-	252
At 31 March 2014 (Unaudited)	14,400	65,898	9,000	8,431	30,141	127,870
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

31 March 2014

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 2014 (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 (the “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 2013. 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 2013.

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.

Inter-company transactions and balances between Group companies are eliminated.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	Three months ended 31 March	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		
Corporate advisory income	5,024	6,341
Securities dealing commission and investment income/(loss)	(640)	(4,364)
	<u>4,384</u>	<u>1,977</u>
Other income and gains		
Interest income from bank balances	<u>84</u>	<u>150</u>

4. OPERATING SEGMENT INFORMATION

The Group's principal businesses are in 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 focused 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% (2013: 16.5%) for the three months ended 31 March 2014 and 2013.

	Three months ended 31 March	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax		
Provision for the period	82	—
Deferred tax		
Origination and reversals of temporary differences	<u>21</u>	<u>—</u>
	<u>103</u>	<u>—</u>

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

6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the three months ended 31 March 2014 is based on the unaudited consolidated loss of approximately HK\$828,000 attributable to ordinary equity holders of the Company for the three months ended 31 March 2014 (2013: HK\$5,079,000) and the weighted average number of 1,440,000,000 shares in issue for the three months ended 31 March 2014 (2013: 1,440,000,000 shares).

No adjustment was made to the basic loss per share presented for the three months ended 31 March 2014 and 2013 as the share options had anti-dilutive effect on the basic loss per share.

7. DIVIDENDS

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2014 (2013: 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 8 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Against the backdrop of some recovery in the United States (“US”) and the Eurozone, yet China’s gross domestic products (“GDP”) growth, as predicted, entered a low gear, Hong Kong’s Hang Seng Index dropped almost 5% in the first quarter of 2014. There were strong initial public offerings flow in the first quarter but investors are becoming discriminative.

Despite a slow start of the year due to new year holidays, the Group continued to pursue and take on new corporate resumption engagements, and booked revenue for approximately HK\$5.02 million (2013: HK\$6.34 million, which included a significant contribution from a distressed asset recovery) from corporate resumption, mergers and acquisitions (“M&As”), independent financial advisory and other corporate advisory and related activities during the three months ended 31 March 2014. This revenue was generated from a diversified portfolio of corporate financial advisory assignments, manifesting the skills and versatility of our team.

Following a fairly substantial realisation in 2013, the Group further sold some of its investments at a small profit during the reporting period. Notwithstanding this and some contribution from securities dealing commission, net fair value loss arising from the remaining investment portfolio held by the Group as at 31 March 2014 (valued at approximately HK\$14.30 million) led to an overall securities dealing commission and investment loss for approximately HK\$0.64 million (2013: loss of HK\$4.36 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

Accordingly, the Group's total revenue for the three months ended 31 March 2014 was trimmed to approximately HK\$4.38 million (2013: HK\$1.98 million).

Operating expenses for the three months ended 31 March 2014 were approximately HK\$5.19 million (2013: HK\$7.21 million), after having accorded some rise in staff costs but no longer required to provide for outsourced professional fee for distressed asset recovery as in 2013.

Allowing for tax for profitable operating units, the Group recorded a total comprehensive loss for the three months ended 31 March 2014 of approximately HK\$0.83 million (2013: HK\$5.08 million). Loss per share for the three months ended 31 March 2014 was approximately HK0.06 cents (2013: HK0.35 cents).

Outlook

The Congressional Budget Office expects the US economy, after a frustrating slow recovery from the severe recession of 2007 to 2009, in 2014 through 2017, to grow annually by about 3%, and for unemployment to remain above 6% until late 2016. Recent statistics appear to be mixed and the financial markets remain nervous of whether and when interest rates will go up. The increase of sales-tax in Japan further cuts its economic prospects. China undershot its economic growth target in the first quarter as the government restrained the shadow-banking industry and the property market overheat. Recent purchasing managers' index shows some recovery and there are speculations that some stimulation measures may be on the way to catch up the GDP growth for the rest of the year.

Building on the great variety of assignments that we took on in 2013 and exploiting our versatile fee earning capabilities, the Group has captured new engagements, and continue to work on corporate advisory, M&As, fund raising and asset recovery assignments along with five corporate resumption engagements (one of which involves a reverse takeover). With the acceleration of the China-Hong Kong financial integration, notably the advance of the Shanghai-Hong Kong Stock Connect, we are actively seeking and developing new strategic partnerships that can offer us opportunities to scale up our fee generating capabilities, and better engage our balance sheet strength.

On the administration front, we have renewed our Shanghai office tenancy and will move our Hong Kong office to a new premise in June 2014. We are also beefing up our staff resources for replacement and addition, to enable us to better service our clients.

As at 31 March 2014, our investment portfolio amounted to approximately HK\$14.30 million. Investments however are by their nature subject to market risks and may impact the Group's profitability from time to time. The Group's cash position, in excess of HK\$110 million, is at an unprecedentedly high level. With our strong liquidity position, the Group will continue to identify suitable underwriting, placing and other investment opportunities to strengthen our income source, and enhance our profitability to promote long term growth and prosperity.

SHARE OPTION 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 of the Company at an exercise price of HK\$0.20 per share to directors and employees of the Group on 10 June 2010. No further options could be granted thereafter.

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31 March 2014 were as follows:

Name of grantee	Exercise period (dd/mm/yy)	Number of options				Outstanding as at 31 March 2014	Approximate percentage of issued share capital of the Company
		Outstanding as at 31 December 2013	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	43,500,000	-	-	-	43,500,000	3.02%
Total		85,500,000	-	-	-	85,500,000	5.93%

SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

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 were vested 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 2014, 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 2014, the 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 EXECUTIVE'S 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	769,660,000 <i>(Note 1)</i>	–	769,660,000	53.45%
	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.69%
Mr. CHAN Hok Leung	Beneficial owner	7,300,000	10,000,000 <i>(Note 2)</i>	17,300,000	1.20%
Mr. XIN Luo Lin	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.69%
Mr. CHAN Kai Nang	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.42%
Mr. YI Xiqun	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	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 2014, 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 2014, 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:

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%

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

Long positions in shares of the Company *(Continued)*

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 31 March 2014, 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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Yi Xiqun, an independent non-executive Director, currently serves as an independent non-executive director of Industrial and Commercial Bank of China Limited (Stock Code: 1398) (listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange); an independent director of China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange); and a consultant to China International Capital Corporation Limited. Based on publicly available information, all of the aforementioned companies have subsidiaries in Hong Kong licensed by the Securities and Futures Commission of Hong Kong to carry on investment banking activities, and compete or are likely to compete with the businesses of the Group.

Save as disclosed above, 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.

The Group has engaged a professional accounting firm (the “Internal Auditor”) to conduct regular internal audits and to report its findings to the audit committee. The First Quarterly Financial Statements have been reviewed by the Internal Auditor and, who confirms that it has 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, 8 May 2014

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.