



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 2014

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

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This report, for which the directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group's corporate advisory income for the second quarter of 2014 was approximately HK\$4.92 million (2013: HK\$4.54 million), some 8.37% ahead of the corresponding period in 2013. The Group also obtained placing and underwriting income of approximately HK\$0.13 million (2013: Nil). Investment loss however dragged the overall revenue of the Group.
- For the six months ended 30 June 2014, overall revenue was reduced to approximately HK\$8.55 million (2013: HK\$11.76 million), representing a decline of approximately 27.30% compared to the corresponding period last year.
- Operating expenses for the six months ended 30 June 2014 were approximately HK\$11.00 million (2013: HK\$11.91 million); a decrease of approximately 7.64% from the corresponding period in 2013. The 2013 operating expenses however included an outsourced professional fee for the Asset Recovery Assignment of approximately HK\$2.61 million. After allowing for this, there was indeed an 18.28% increase in operating expenses, largely as a result of the combined effects of higher rental and expenses arising from office relocation, escalated staff and related costs and higher securities brokerage expense.
- Affected by the investment loss as aforementioned, the Group recorded total comprehensive losses of approximately HK\$1.30 million in the second quarter of 2014 (2013: income of HK\$5.20 million) and approximately HK\$2.13 million for the first half of 2014 (2013: income of HK\$0.13 million). Following the exercising of certain Pre-IPO Share Options and the clawback of share option reserve which more than offsetting the loss for the period, the net assets value of the Group as at 30 June 2014 achieved new height, and stood at approximately HK\$129.14 million (31 December 2013: HK\$128.45 million).
- Loss per share for the six months ended 30 June 2014 was approximately HK0.15 cents (2013: earnings per share of HK0.01 cents), whereas net assets value per share as at 30 June 2014 was approximately HK8.90 cents (31 December 2013: HK8.92 cents).
- With cash and cash equivalents close to HK\$120 million as at 30 June 2014 (31 December 2013: HK\$114 million), we 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.
- The Board does not recommend payment of an interim dividend for the six months ended 30 June 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 and six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding periods ended in 2013, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	4,170	9,786	8,554	11,763
Other income and gains	3	189	168	273	318
Operating expenses		(5,806)	(4,707)	(10,999)	(11,913)
(Loss)/Profit before tax	5	(1,447)	5,247	(2,172)	168
Income tax credit/(expense)	6	144	(43)	41	(43)
(Loss)/Profit for the period		(1,303)	5,204	(2,131)	125
Total comprehensive (loss)/income for the period		(1,303)	5,204	(2,131)	125
(Loss)/Earnings per share attributable to ordinary equity holders of the Company	7				
– Basic (HK cents)		(0.09)	0.36	(0.15)	0.01
– Diluted (HK cents)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	9	2,445	724
Intangible asset		866	866
Deposits		100	100
Total non-current assets		<u>3,411</u>	<u>1,690</u>
Current assets			
Trade receivables	10	3,701	9,066
Prepayments, deposits and other receivables		3,090	2,395
Investments at fair value through profit or loss		7,515	15,423
Cash held on behalf of clients	11	44	6
Cash and cash equivalents		119,851	113,739
Total current assets		<u>134,201</u>	<u>140,629</u>
Current liabilities			
Trade payables	12	1,086	3,847
Other payables and accruals		3,845	6,426
Tax payable		3,196	3,149
Deferred tax liabilities		349	451
Total current liabilities		<u>8,476</u>	<u>13,873</u>
Net current assets		<u>125,725</u>	<u>126,756</u>
Net assets		<u>129,136</u>	<u>128,446</u>
Equity			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	14,515	14,400
Reserves		114,621	114,046
Total equity		<u>129,136</u>	<u>128,446</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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	-	-	-	-	(2,131)	(2,131)
Allotment of new shares pursuant to pre-IPO share option scheme	115	3,566	-	(1,373)	-	2,308
Equity-settled share option arrangements	-	-	-	513	-	513
At 30 June 2014 (Unaudited)	14,515	69,464	9,000	7,319	28,838	129,136
At 1 January 2013	14,400	65,898	9,000	5,913	22,334	117,545
Total comprehensive income for the period	-	-	-	-	125	125
Equity-settled share option arrangements	-	-	-	867	-	867
At 30 June 2013 (Unaudited)	14,400	65,898	9,000	6,780	22,459	118,537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	5,375	2,806
Net cash flows (used in)/from investing activities	(1,571)	278
Net cash flows from financing activities	2,308	—
Net increase in cash and cash equivalents	6,112	3,084
Cash and cash equivalents at beginning of period	113,739	85,085
Cash and cash equivalents at end of period	119,851	88,169

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 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 interim financial statements for the six months ended 30 June 2014 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” 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 Interim 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 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 2013.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and one new interpretation 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 Interim Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

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.

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, placing and underwriting service income/commission and securities dealing commission and investment income/(loss).

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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue				
Corporate advisory income	4,920	4,535	9,944	10,876
Placing and underwriting service income/commission	126	–	126	–
Securities dealing commission and investment (loss)/income	(876)	5,251	(1,516)	887
	<u>4,170</u>	<u>9,786</u>	<u>8,554</u>	<u>11,763</u>
Other income and gains				
Interest income from bank balances	<u>189</u>	<u>168</u>	<u>273</u>	<u>318</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. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Depreciation	115	81	201	162
Minimum lease payments under operating leases on land and buildings	1,091	685	1,771	1,371
Employee benefit expense (including directors' remuneration)	<u>2,724</u>	<u>2,952</u>	<u>6,080</u>	<u>5,829</u>

6. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% for the three months and six months ended 30 June 2014 and 2013.

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax				
Provision for the period	21	(43)	(61)	(43)
Deferred tax				
Origination and reversals of temporary differences	123	-	102	-
	<u>144</u>	<u>(43)</u>	<u>41</u>	<u>(43)</u>

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

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

The calculations of basic loss per share are based on the unaudited consolidated losses of approximately HK\$1,303,000 and HK\$2,131,000 attributable to ordinary equity holders of the Company for respectively the three months and six months periods ended 30 June 2014 (three months and six months ended 30 June 2013: consolidated profits of approximately HK\$5,204,000 and HK\$125,000, respectively) and the weighted average number of 1,441,394,945 shares and 1,440,701,326 shares in issue for each of the three months and six months ended 30 June 2014, respectively (three months and six months ended 30 June 2013: 1,440,000,000 shares).

No adjustment was made to the basic (loss)/earnings per share presented for the three months and six months ended 30 June 2014 and 2013 as share options had anti-dilutive effect on the basic (loss)/earnings per share.

8. DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of vehicle, plant and equipment with a cost of approximately HK\$1,922,000 (2013: approximately HK\$40,000).

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 normal 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 Group's trade receivables which are not considered to be individually or collectively impaired as at the end of the reporting period, based on the invoice dates and net of provisions, is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Current to 30 days	1,289	844
31 to 60 days	1,601	527
61 to 90 days	598	158
Over 90 days	213	7,537
	(a)	
	3,701	9,066

Note:

- (a) Up to the date of approval of this report, subsequent settlement of trade receivables as at 30 June 2014 amounted to approximately HK\$1,939,000.

11. CASH HELD ON BEHALF OF CLIENTS

The Group's licensed subsidiary maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its normal course of business. This subsidiary has classified 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 payables to the 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

Aging of the Group's trade payables excluding clients' monies as at the end of the reporting period was current to 30 days (31 December 2013: current to 30 days). Included in trade payables are clients' monies which are segregated in the trust accounts as described in note 11 to the Interim Financial Statements.

13. SHARE CAPITAL

	Note	Number of shares	Nominal value HK\$
Authorised			
As at 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014		10,000,000,000	100,000,000
Issued			
As at 1 January 2013, 30 June 2013 and 31 December 2013		1,440,000,000	14,400,000
Allotment of new shares pursuant to pre-IPO share option scheme	(a)	11,540,000	115,400
As at 30 June 2014		1,451,540,000	14,515,400

Note:

- (a) During the six months ended 30 June 2014, an aggregate of 11,540,000 new shares were allotted and issued by the Company upon the exercise of the options (the "Pre-IPO Share Options") granted under the pre-IPO share option scheme of the Company adopted on 7 June 2010 (the "Pre-IPO Share Option Scheme") by certain grantees at an exercise price of HK\$0.20 per share. The weighted average closing price of the shares of the Company immediately before the date on which the Pre-IPO Share Options were exercised was HK\$0.43.

14. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed below, the Group had no significant related party transactions during the six months ended 30 June 2014 and 2013.
- (b) Compensation of key management personnel of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries and other short-term employees benefits	1,293	667	2,015	1,356
Post-employment benefits	8	8	16	15
Equity-settled share option expense	110	206	217	368
Total compensation for key management personnel	1,411	881	2,248	1,739

15. EVENTS AFTER THE REPORTING PERIOD

Save for the lapse of the memorandum of understanding in respect of the proposed subscription by Huarong (HK) International Holdings Limited (“Huarong”) in new shares of the Company (details of which are set out in the Company’s announcement dated 21 July 2014), the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2014 and up to the date of approval of this report.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 11 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

World economic recovery paced up and down in the first half of 2014; with developed countries and emerging-market economies maintaining moderate growth but signs of slowdown in the growth of global trade remained. The international capital flow represented by mergers and acquisitions however maintained its strong momentum. This is positive for the mid to long term global economic recovery. Hong Kong’s equities market has benefited from intensified activities, some involving change in control of listed companies, with premiums on the rise.

During the first half of 2014, amidst a significant corporate event of our own in respect of the proposed subscription by Huarong, the Group took on two new corporate resumption engagements and continued to be active in corporate advisory and related activities. The Group generated corporate advisory income for approximately HK\$9.94 million from corporate resumption, mergers and acquisitions, independent financial advisory, fund raising and other corporate advisory and related activities during the six months ended 30 June 2014 (2013: HK\$10.88 million, which included a significant contribution from a distressed asset recovery assignment (the “Asset Recovery Assignment”). This revenue generated from a diversified portfolio of corporate financial advisory assignments continues to manifest the skills and versatility of our team.

During the second quarter of 2014, the Group acted as a co-manager in respect of the initial public offering (“IPO”) of Hang Fat Ginseng Holdings Company Limited (Stock code: 911) and earned some placing and underwriting income.

Following a fairly substantial realisation in 2013, the Group further reduced its investment portfolio by approximately HK\$7.91 million and recorded a net realised loss of approximately HK\$1.75 million during the reporting period. Although there were some contribution from securities dealing commission and a net fair value gain arising from the remaining investment portfolio held by the Group as at 30 June 2014 (valued at approximately HK\$7.52 million), the Group recorded an overall securities dealing commission and investment loss for approximately HK\$1.52 million (2013: income of HK\$0.89 million) in the first half of 2014.

On the administration front, we renewed our Shanghai office tenancy and moved our Hong Kong office to a new, larger premises at the same building to minimise undue work disruptions arising from office relocation. We are also beefing up our staff resources for replacement and addition, to enable us to better service our clients.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review

The Group's corporate advisory income for the second quarter of 2014 was approximately HK\$4.92 million (2013: HK\$4.54 million), some 8.37% ahead of the corresponding period in 2013. The Group also obtained placing and underwriting income of approximately HK\$0.13 million (2013: Nil). Securities dealing commission and investment loss – second quarter of 2014 being approximately HK\$0.88 million and first half of 2014 being approximately HK\$1.52 million however dragged the overall revenue of the Group. For the six months ended 30 June 2014, overall revenue was reduced to approximately HK\$8.55 million (2013: HK\$11.76 million), representing a decline of approximately 27.30% compared to the corresponding period last year.

Operating expenses for the six months ended 30 June 2014 were approximately HK\$11.00 million (2013: HK\$11.91 million) – a decrease of approximately 7.64% as compared to the corresponding period in 2013. This decrease has been distorted as the 2013 operating expenses included an outsourced professional fee for the Asset Recovery Assignment of approximately HK\$2.61 million. After allowing for this, there was indeed an 18.28% increase in operating expenses, largely as a result of the combined effects of higher rental and expenses arising from office relocation, escalated staff and related costs and higher securities brokerage expense.

Affected by the securities dealing commission and investment loss as aforementioned, the Group recorded total comprehensive losses of approximately HK\$1.30 million in the second quarter of 2014 (2013: income of HK\$5.20 million) and approximately HK\$2.13 million for the first half of 2014 (2013: income of HK\$0.13 million).

Loss per share for the six months ended 30 June 2014 was approximately HK0.15 cents (2013: earnings per share of HK0.01 cents).

As at 30 June 2014, the Group's trade receivables came down to approximately HK\$3.70 million (31 December 2013: HK\$9.07 million) and the Group's trade payables amounted to approximately HK\$1.09 million (31 December 2013: HK\$3.85 million). The 2013 receivables and payables were inflated by the revenue and outsourced cost associated with the Asset Recovery Assignment. Other payables and accruals came lower at approximately HK\$3.85 million (31 December 2013: HK\$6.43 million), mainly because of lower bonus provisioning.

The investments at fair value through profit or loss were reduced to approximately HK\$7.52 million as at 30 June 2014 (31 December 2013: HK\$15.42 million), following divestments made in the first half of 2014.

As a result of the exercising of certain Pre-IPO Share Options and the clawback of share option reserve which more than offsetting the loss for the period, the net assets value of the Group as at 30 June 2014 achieved new height, and stood at approximately HK\$129.14 million (31 December 2013: HK\$128.45 million). The net assets value per share as at 30 June 2014 was approximately HK8.90 cents (31 December 2013: HK8.92 cents).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources

The Group has adopted a prudent financial management strategy and maintained a healthy liquidity position as at 30 June 2014. Following further realisation of investments at fair value through profit or loss, the Group had cash and cash equivalents of approximately HK\$119.85 million as at 30 June 2014 (31 December 2013: HK\$113.74 million). As at 30 June 2014, the Group had net current assets of approximately HK\$125.73 million (31 December 2013: HK\$126.76 million), and the current ratio was approximately 15.83 (31 December 2013: 10.14).

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 2014 (31 December 2013: Nil). Funds are largely placed with financial institutions with maturities timed to cover any known capital, investment or underwriting commitments.

During the six months ended 30 June 2014, 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 closely monitor its foreign currency exposure and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

Capital structure

Save for the issue of new shares upon the exercise of certain Pre-IPO Share Options 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 2014. The capital of the Company comprises only ordinary shares.

Total equity attributable to ordinary equity holders of the Company amounted to approximately HK\$129.14 million as at 30 June 2014 (31 December 2013: HK\$128.45 million). This increase was mainly attributable to the combined effects of the exercising of certain Pre-IPO Share Options and the clawback of the share option reserve, net of the loss for the period.

Commitments

As at 30 June 2014, the Group did not have any significant commitments (31 December 2013: Nil).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees and remuneration policies

The Group places strong emphasis on attracting, engaging, training and retaining professional talents, and regards human resource as a cornerstone in the Group's ability to secure and deliver its advisory services and manage its assets. Its policy concerning remuneration of directors is to consider and determine remuneration (including bonuses) and terms of service by reference to the relevant director's qualifications, experience, level of responsibilities, capabilities, workload and performance, having regard to market conditions and performance of the individual business units and of the Group as a whole. The Group adopts a similar policy in respect of all employees.

The Group has adopted and maintained incentive bonus schemes seeking to align the financial well-being of the Group with that of the employees and to retain professional staff of high calibre. Staff are offered basic salaries commensurate with market levels. On top of basic salaries, performance based and discretionary bonuses are paid having regard to the performance of the individual, the business units and the Group as a whole. Generally a bonus of up to 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. The Group regularly arranges and conducts professional development and training programs, enabling its executives to refresh their knowledge and sharpen their skills. All directors and employees who were with the Group at the time of listing of the Company on GEM were granted pre-IPO share options. The Company also adopted a share option scheme on 7 June 2010 (the "Share Option Scheme"), however, no options have been granted, exercised or lapsed under this share option scheme.

As at 30 June 2014, the Group employed 20 employees including executive directors (31 December 2013: 21 employees). Total staff costs were approximately HK\$6.08 million for the six months ended 30 June 2014 (2013: HK\$5.83 million). The Group also engaged three contractors for business development as at 30 June 2014 (31 December 2013: three contractors).

Charge on the Group's assets

As at 30 June 2014, the Group did not have any charge on its assets (31 December 2013: Nil).

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities (31 December 2013: 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 2014, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of its business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 June 2014.

Lapse of the memorandum of understanding in respect of the proposed subscription by Huarong in new shares of the Company and the letter of undertaking

On 20 May 2014, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Huarong, under which Huarong agreed to subscribe (or procure its wholly owned subsidiary to subscribe) for not less than 1,500,000,000 new shares of the Company at a subscription price of not less than HK\$0.20 per new share (the “Proposed Subscription”). Pursuant to the MOU, Huarong was to conduct a due diligence review on the affairs of the Group, and the Company and Huarong were to negotiate in good faith to enter into a formal, legally binding agreement as soon as practicable and in any case within 60 days from the date of the MOU (or such later date as may be agreed between the parties). Concurrently, Mr. Patrick Yeung Kai Cheung (“Mr. Yeung”), being an executive Director and controlling shareholder of the Company interested in a total of 769,660,000 shares of the Company (the “Interested Shares”), entered into a letter of undertaking (the “Letter of Undertaking”) with Huarong pursuant to which Huarong expressed its interest in acquiring (or procure its wholly owned subsidiary to acquire) some of Mr. Yeung’s Interested Shares.

Although there were no material issues arising from the due diligence review, negotiation on the Proposed Subscription did not come to fruition. The MOU and the Letter of Undertaking lapsed on 19 July 2014.

The Company is naturally disappointed that the Proposed Subscription did not materialise. The Directors will continue to explore ways and means to extend their reach for strategic alliances who will commit to enhance the business prospects and strengthen the Group’s capabilities thereby increase our shareholders’ value.

Outlook

With the effect of mini-stimulus measures gradually filtering through, China’s gross domestic product (“GDP”) growth picked up to 7.5% in the second quarter of 2014. The meeting of the Communist Party of China Central Committee Political Bureau held in July 2014 set the tone for the second half of the economic policy, indicating that maintaining 7.5% growth rate this year has become a rigid target. If this is the case, China’s economy is expected to rebound in the second half of 2014, perhaps driven by investment and domestic demands.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook *(Continued)*

Notwithstanding some resources having been necessarily spent in the first half of 2014 in relation to the Proposed Subscription, the Group has never slowed down in capturing new engagements. In July 2014, the Group took on one new corporate resumption involving a listed company that was placed in provisional liquidation, whilst Ausnutria Dairy Corporation Limited (Stock code: 1717) achieved resumption in August 2014, after a long suspension for more than two years. Accordingly, the Group has on hand five corporate resumption engagements, one of which involves reverse takeovers. The subscription of new shares in Neo-Neon Holdings Limited (Stock code: 1868) by THTF Energy-Saving Holdings Limited (a wholly-owned subsidiary of Tsinghua Tongfang Co., Ltd) was completed on 1 August 2014 with a general offer by the latter followed. We are working hard on these and other transactions and hope some can come to satisfactory completion in the second half of 2014.

Whilst the US Federal Reserve Bank signaled a steady pace of tapering, investors remained cautious about interest rates rising sooner than expected as GDP growth picked up momentum. The Hong Kong stock market seems to have ignored the western concerns and motivated by the Shanghai-Hong Kong Stock Connect, notwithstanding rising political disquiet locally, and recently released data suggest that China's non-manufacturing purchasing managers' index has become stagnant. The Group has conscientiously reduced its investment portfolio, but will expose itself gradually to interest bearing assets.

As at 30 June 2014, our investment portfolio amounted to approximately HK\$7.52 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, close to HK\$120 million, is at an unprecedentedly high level. With our strong liquidity position, we 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 the Pre-IPO Share Option Scheme and 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.

SHARE OPTION SCHEMES (Continued)

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 30 June 2014 were as follows:

Grantees	Exercise period (dd/mm/yy)	Number of options				Outstanding as at 30 June 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	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	0.41%
Mr. Yi Xiqun	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.41%
Employees of the Group	10/06/12 – 09/06/20	43,500,000	(11,540,000)	-	(4,550,000)	27,410,000	1.89%
Total		85,500,000	(11,540,000)	-	(4,550,000)	69,410,000	4.78%

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 were vested 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 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 30 June 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:

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	53.02%
	Beneficial owner	–	10,000,000 (Note 2)	10,000,000	0.69%
Mr. CHAN Hok Leung	Beneficial owner	7,300,000	10,000,000 (Note 2)	17,300,000	1.19%
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	0.41%
Mr. YI Xiqun	Beneficial owner	–	6,000,000 (Note 2)	6,000,000	0.41%
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 30 June 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 30 June 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	48.17%
Mr. LIM Hua Min ("Mr. Lim") <i>(Note 2)</i>	Interest of controlled corporation	252,955,791	17.43%
Phillip Capital (HK) Limited ("Phillip Capital (HK)") <i>(Note 2)</i>	Beneficial owner	252,955,791	17.43%

Notes:

- Master Link is an investment holding company, the entire issued share capital of which is wholly and beneficially owned by Mr. Yeung.
- 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 30 June 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 six months ended 30 June 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 close associates (as defined under the GEM Listing Rules) that competes 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in information of Directors are set out below:

Name of Director	Details of changes
Mr. Yeung	Resigned as a councillor on 19 June 2014 but appointed as the honorary adviser of CPA Australia Greater China Division on 20 June 2014.
Mr. CHAN Hok Leung	Resigned as a member of the New Zealand Institute of Chartered Accountants.
Mr. Yi Xiqun	Ceased to serve as an independent non-executive director of China Merchants Bank Co., Ltd, a company listed on the Main Board of the Stock Exchange (Stock code: 3968) and the Shanghai Stock Exchange, when his term of office ended on 25 March 2014.

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. The Company had made specific enquiries to all the Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2014. No incident of non-compliance was noted by the Company during this period.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained 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 should be separate 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 executive chairman and chief executive officer 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 of concern would arise due to the combined role of Mr. Yeung. The Group also has in place an effective internal control system, including the engagement of a professional accounting firm (the "Internal Auditor") to conduct internal audit, to perform check and balance functions.

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 Xiquan.

The Group has engaged the Internal Auditor to conduct regular internal audits and to report its findings to the audit committee. The Interim Financial Statements have been reviewed by the Internal Auditor, 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 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, 11 August 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 Xiquan being independent non-executive Directors.