

ACR 亞洲資產(控股)有限公司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8025)

First Quarterly Report 2018

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Asian Capital Resources (Holdings) Limited 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 Asian Capital Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Board”) of Asian Capital Resources (Holdings) Limited (the “Company”) present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2018 together with the comparative figures for the corresponding period in 2017 as follows:

	<i>Notes</i>	For the 3 months ending 31 March 2018 HK\$'000	For the 3 months ending 31 March 2017 HK\$'000
Turnover	2	5,135	2,800
Cost of Services		(3,650)	–
Gross Profit		1,485	2,800
Other Income		92	74
Staff costs		(2,483)	(809)
Depreciation and amortization		(164)	(147)
Operation lease rental		(313)	(276)
Other operating expenses		(1,252)	(1,357)
Gain/(Loss) from operating activities		(2,635)	285
Finance costs		(271)	(257)
Profit/(Loss) before taxation		(2,906)	28
Taxation	4	–	–
Profit/(Loss) for the period		(2,906)	28
Attributable to:			
Equity holders of the Company		(2,906)	35
Non Controlling Interest		–	(7)
		(2,906)	28
Profit/(Loss) per share			
– Basic	5	(0.17) cents	0.002 cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the three months ended 31 March 2018

	Attributable to equity holders of the Company					Non		Total
	Issued Share Capital	Share Premium	Capital Reserve	Translation Reserve	Accumulated Loss	Total	Controlling interest	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2017	176,183	304,371	26,020	(3,722)	(416,038)	86,814	(15,670)	71,144
Movement of the period	-	-	-	-	35	35	(7)	28
As at 31 March 2017	176,183	304,371	26,020	(3,722)	(416,003)	86,849	(15,677)	71,172
As at 1 January 2018	176,183	304,371	26,020	(4,613)	(472,744)	29,217	(1)	29,216
Movement of the period	-	-	-	-	(2,906)	(2,906)	-	(2,906)
As at 31 March 2018	176,183	304,371	26,020	(4,613)	(475,650)	26,311	(1)	26,310

Notes:

1. BASIS OF PREPARATION

The unaudited 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 accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2017.

2. TURNOVER

The Group’s turnover represents the invoiced value of service fees from the provision of management and consultancy services; intra-Group transactions excluded; as follows:

	For the three months ended 31 March	
	2018	2017
Continuing Operation	HK\$’000	HK\$’000
Management and consultancy fee	5,135	2,800
Total turnover	<u>5,135</u>	<u>2,800</u>

3. FINANCE COSTS

The finance costs represent the interest on amount due to the Company’s ultimate holding company, which bears interest at 5%.

4. TAXATION

Nil

5. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2018 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$2,906,000 (2017: HK\$35,000, profit) and the weighted average number of ordinary shares of approximately 1,761,825,563 (2017: 1,761,825,563) during the period.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The consolidated turnover of the Group for the three months ended 31 March 2018 was approximately HK\$5,135,000 (2017: HK\$2,800,000). Turnover increased from first quarter 2017 of about HK\$2,800,000 to 2018's approximately HK\$5,135,000, yet Gross Profit of 2018 first quarter was only approximately HK\$1,485,000. Staff cost increased by approximately HK\$1,674,000 due to the increase the Group's total headcount, which was mainly attributable by the addition of staff that supports and enhances the Group's capital management services and private equity management services.

Financial cost

The financial cost of the Group for the three months ended 31 March 2018 was approximately HK\$271,000 (2017: HK\$257,000) which increased by approximately 5.45% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the three months ended 31 March 2018, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK\$24,811,000. The Group had a cash balance of approximately HK\$21,764,000 (2017: HK\$21,796,000).

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

The issued share capital of the Group for the three months ended 31 March 2018 was HK\$176,182,556 (2017: HK\$176,182,556).

Gearing Ratio

As at 31 March 2018, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 81.76% (2017: 56.64%).

Employee and remuneration policies

As at 31 March 2018, the Group employed a total of 42 employees (as at 31 March 2017: 9), of which 4 were located in Hong Kong, 37 were located in the PRC and 1 located in USA. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

Operational Review

During the period under review, the Group has been focused on actively consolidating, developing and expanding businesses in the capital management services for both onshore and offshore. The private equity services are progressing and a limited partnership has been set up to concentrate on wellness and care products, with related investments, and a preliminary target investment size for the Partnership of HK\$500 million, with management by the Group. Via the revenue generated by the services provided and other assets from the group it has sufficient cashflow generated to operate its business as a going concern. The Company does not have any financial difficulties to an extent that may seriously impair the Company's ability to continue its business. Two separate limited partnerships are in progress and further announcements shall be made to the public when the structure is well in placed for disclosures.

The Board, looking forward, views that by concentrating on providing our services and expanding to different sectors will enhance the company's incremental business and the future value of the company.

Capital Management Services

With the uncertainty of a trade war on the horizon it has caused a challenging outlook for the ongoing Chinese and global economic growth, the Group will continue to exert rigorous control over its business operations and strategies, with aims to safeguard the shareholders' assets, and be prudent and risk averse.

In general the Group concentrated on both the capital management services and private equity management services. As a result of the increased resources, the Group's capital management services are starting to emerge and produce income at a sustainable rate. One of the areas of resource of which the Group has enhanced is its personnel. Senior executives have joined the Group which enabled us to take on more clients to provide capital management services. Notably Mr. Hai Fei Liao, who joined the Group as Vice President during the period under review. Mr. Liao has over 15 years of experience in PRC real estate industry and was graduated at South China Normal University with a bachelor degree in International Finance. His track record includes executive management roles for sales and business development for real estate investment firms to large PRC real estate development conglomerates with assets under management of in excess of RMB100 billion. He is in charge of a team of professionals that enhances both the business development and execution of the services going forward.

Furthermore, the addition of traditional media content and internet content production management company to the Group has also broaden the spectrum of the capital management services that the Group offers, which shall enhance the value of the partnerships under management and provide more strategic media exposures.

Private Equity Management Services

For the private equity management services the Group has established a Limited Partnership in Hong Kong. The Company's subsidiary is the general partner of the Limited Partnership and will be responsible for the management of the Limited Partnership going forward. The Limited Partnership will concentrate on health care related investments and business opportunities of which the limited partner of the partnership is currently engaged in. More specifically it is concentrating on investing into sustainable agriculture; the growing and management of the chinese herbal medicine plantation and its socially responsible international distribution of its products. One of the products which the Group will be actively concentrating on is the herbal medicine called artemisinin. Artemisinin are a group of drugs used against malaria. It was discovered in 1972 by Tu Youyou, a Chinese scientist, who was awarded the 2015 Nobel Prize in Medicine for her discovery.

In addition, the Group currently has an opportunity to set up two more Limited Partnerships of which the Group will also become the general partner. These new partnerships will each have limited partners that specializes in different sectors and the limited partnerships will invest into their respective sectors and related industries. The Group anticipates to establish the partnerships within FY2018, however the negotiations with the prospective limited partners are still ongoing and there are still a possibility that they may not materialize. Going forward the Company will provide updates when more information becomes readily available.

The factors that will affect the Group's businesses going forward include regulatory changes experienced in the PRC, of which was witnessed in recent years. Also the global economic condition, which will seriously impair the business environment of the PRC regions including Hong Kong, and the unpredictable policies instigated by the US government on free trade and environmental sectors.

Furthermore, apart from the aforementioned operations, the Group continues to research, develop and explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of the Company's shareholders.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Deregistration and Winding-Up of various Subsidiaries in the Group

The Board has resolved that, in order to reduce the operating costs of the Group, those subsidiaries within the Group which no longer add value to, nor generate any income attributable to the Group, should be deregistered, or voluntarily wound up.

The subsidiary which is currently in the deregistration process is: Sinobase Asia Limited.

Those subsidiaries which are currently being voluntarily wound up are: Asian Information Investment Consulting Limited, BuyCollection.com Limited, and Myhome Network Limited.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Nil

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Nil

DISCLOSURE OF INTERESTS

(A) Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571, (“SFO”) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Positions in the Ordinary Shares of HK\$0.10 each (the “Shares”) of the Company

	Number of issued shares held, capacity and nature of interest				Total	Percentage of the Company’s issued Shares as at 31 March 2018
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Directors						
Mr. Xie Xuan	-	-	518,014,782 <i>(Note 1)</i>	-	518,014,782	29.40%
Mr. Qiu Yue	15,430,000	-	18,620,436 <i>(Note 2)</i>	-	34,050,436	1.93%
	15,430,000	-	536,635,218	-	552,065,218	31.33%

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 any 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 the Model Code, to be notified to the Company and the Stock Exchange.

(B) Interests and short positions of the Substantial Shareholders in the Shares, underlying shares and debentures of the Company

As at 31 March 2018, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

(i) Long Positions in the Shares

Name of Shareholder	Capacity	Number of shares	Percentage of the Company's issued Shares as at 31 March 2018
Glamour House Limited	Interest of a controlled corporation (<i>Note 1</i>)	518,014,782	29.40%
Asian Dynamics International Limited	Beneficial owner (<i>Note 2</i>)	517,896,132	29.39%
Century Field Limited	Beneficial Owner	276,306,666	15.68%

Note 1: The controlled corporation is Glamour House Limited, which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

(ii) Long Position in the Underlying Shares

Nil

Save as disclosed above, as at 31 March 2018, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT SHAREHOLDERS

As far as the Directors are aware of, other than Asian Dynamics International Limited, Glamour House Limited and Mr. Xie Xuan as disclosed above, there was no other person as at 31 March 2018 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 31 March 2018.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry of all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31 March 2018.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi have adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 14 May 2018