2007
3rd Quarterly Report

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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan and Mr. Yang Qiulin; the non-executive director is Mr. Lo Mun Lam Raymond and the independent non-executive directors are Mr. Wu Jixue, Mr. Yang Zhenhong and Mr. Zhang Daorong.

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 and nine months ended 30 September 2007 together with the comparative figures for the corresponding period in 2006 as follows:

		For the three months ended 30 September		For the nine months ended 30 September	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**42,293**	88,659	**133,661**	210,976
Cost of services		**(39,192)**	(83,819)	**(123,788)**	(196,599)
Gross profit		**3,101**	4,840	**9,873**	14,377
Other revenue		**135**	243	**55**	1,190
Interest income		**3**	9	**17**	32
Staff costs		**(2,689)**	(4,825)	**(9,883)**	(15,125)
Operating lease rentals		**(778)**	(993)	**(2,716)**	(2,679)
Other operating expenses		**(1,880)**	(2,846)	**(6,824)**	(7,546)
Depreciation and amortization		**(173)**	(384)	**(638)**	(2,241)
Loss from operating activities		**(2,281)**	(3,956)	**(10,116)**	(11,992)
Finance costs		**(214)**	(80)	**(569)**	(1,288)
Loss before discontinue operation		**(2,495)**	(4,036)	**(10,685)**	(13,280)
Discontinue USA branch		**—**	—	**(785)**	—
Loss before taxation		**(2,495)**	(4,036)	**(11,470)**	(13,280)
Taxation	*3*	**—**	—	**—**	—
Loss for the period		**(2,495)**	(4,036)	**(11,470)**	(13,280)
Attributable to:					
Equity holders of the Company		**(2,495)**	(3,856)	**(11,470)**	(13,269)
Minority interests		**—**	(180)	**—**	(11)
		(2,495)	(4,036)	**(11,470)**	(13,280)
Loss per share					
— Basic	*4*	**(0.44 cents)**	(0.81 cents)	**(2.15 cents)**	(2.79 cents)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2007 and the nine months ended 30 September 2006:

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserves	Convertible notes reserves	Translation Reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2006	47,624	87,707	35,343	3,495	—	(169,572)	4,597	1,530	6,127
Release convertible notes reserves upon maturity	—	—	—	(3,495)	—	3,495	—	—	—
Disposal of subsidiaries	—	—	(9,323)	—	—	—	(9,323)	—	(9,323)
Recognition of income of disposed group	—	—	3,483	—	—	—	3,483	—	3,483
Loss for the period	—	—	—	—	—	(13,269)	(13,269)	(11)	(13,280)
As at 30 September 2006	47,624	87,707	29,503	—	—	(179,346)	(14,512)	1,519	(12,993)
As at 1 January 2007	47,624	87,707	26,020	—	(93)	(183,148)	(21,890)	817	(21,073)
Movement of the period	9,100	—	(3,295)	—	(146)	(11,470)	(5,811)	—	(5,811)
As at 30 September 2007	**56,724**	**87,707**	**22,725**	**—**	**(239)**	**(194,618)**	**(27,701)**	**817**	**(26,884)**

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 ("HKICPA"), and accounting principles generally accepted in Hong Kong and the GEM Listing Rules. 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 2006.

2. TURNOVER

The Group's turnover represents the invoiced value of (1) project fees from the provision of project consultancy services; (2) distribution fees from the provision of content information; (3) service fees from the provision of internet solution services; and (4) service fees from the provision of logistic services and excludes intra-Group transactions as follows:

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Content solution service				
— project fees	**51**	51	**153**	153
— distribution fees	**191**	159	**574**	574
Internet solution service fees	**—**	135	**13**	350
Educational content service fees	**—**	—	**—**	22
Logistic service fees	**42,051**	88,314	**132,921**	209,877
Total turnover	**42,293**	86,659	**133,661**	210,976

3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**—**	—	**—**	—
PRC income tax	**—**	—	**—**	—
	—	—	**—**	—

No Hong Kong profits tax and PRC income tax has been provided for the nine months ended 30 September 2007 as the Group has no assessable profit for the period.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2006 is based on the net loss from ordinary activities attributable to shareholders of approximately HK$2,495,000 (2006: HK$3,856,000) and HK$11,470,000 (2006: HK$13,269,000) and the weighted average number of ordinary shares of approximately 567,237,105 and 533,196,235 respectively (2006: 476,237,000) during the periods.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the nine months ended 30 September 2007 was approximately HK$133,661,000 (2006: HK$210,976,000) which was decreased by approximately 37% as compared to that of the previous financial year. The Group's gross profit margin is increased from 6.81 % for the nine months ended 30 September 2006 to 7.39% for the current period.

The unaudited consolidated loss from operations for the nine months ended 30 September 2007 was approximately HK$11,470,000 which has decreased by 13.63% compared with the corresponding period last year, HK$13,280,000.

Financial cost

The financial cost of the Group for the nine months ended 30 September 2007 was approximately HK$569,000 (2006: HK$1,288,000) which was decreased by approximately 56% as compared to that of the same period of last year. Such reduction was mainly attributable to the fact that the disposal of Eleson Group and the repayment of the loan to the ultimate holding company of the Company, Asian Dynamics International Limited reduced the Group's financial cost. The reduction in the financial cost resulted from the disposal of the Company's obligations concerning the interest-bearing convertible note relating to Eleson Group and the repayment of the interest-bearing loan due to the ultimate holding company, which was negotiated in the normal course of business, through the conversion of the loan into new shares in the Company, which was also negotiated in the normal course of business.

Liquidity, financial resources and capital structure

For the nine months ended 30 September 2007, the Group's borrowing consists of an amount due from the ultimate holding company of HK$10,124,000. The Group had a cash balance of approximately HK$3,841,000 (2006: HK$6,694,000).

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 nine months ended 30 September 2007 has increased from HK$47,624,000 to HK$56,724,000.

Gearing Ratio

For the nine months ended 30 September 2007, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 33% (2006: 19%).

Employee and remuneration policies

For the nine months ended 30 September 2007, the Group employed a total of 185 employees (as at 30 September 2006: 257), of which 8 were located in Hong Kong and the remaining 177 were located in the PRC. 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.

Issue of New Shares

On 5 September 2007, the Company entered into subscription agreements whereby it agreed to issue 25,014,820, 35,860,262, and 11,223,231 shares to United Hill Investments Limited, Bonus Gain Limited and Always Fast International Limited respectively at the issue price of HK$0.229 per Share. The Company entered into the subscription agreements as a means to capitalizing loans that were owed to the respective Companies, which will incur the benefits to the Company of being able to repay the outstanding loans without drawing on the working capital of the Company. The Shareholders of the Company approved the issue and allotment of the Subscription Shares at an EGM held on 4 October 2007. The Subscription Shares have been issued and allotted, and the effect of such allotment will be reflected in the 2007 Annual Report of the Company.

Grant of Options

On 5 September 2007, the Company entered into agreements with United Hill Investments Limited, Bonus Gain Limited and Always Fast International Limited whereby the Company agreed to grant 33,946,039, 48,663,704, and 15,230,300 Options respectively, with the rights to require, at any time during the option period of four years, the Company to issue and allot one Option Share upon the exercise of each Option at the Exercise Price of HK$0.275 per Option. The Shareholders of the Company approved the granting of the Options, and the issue and allotment of the Option Shares at an EGM held on 4 October 2007. The shareholding structure of the Company will not be affected until such time as the option holders decide to exercise their options.

Contingent Liabilities

(i) S.221 of Companies Ordinance Proceeding in the High Court

The Company and several of its subsidiaries and former subsidiaries and a former officer of the Company, who has been indemnified by the Company for any legal costs that he may incur in relation to the litigation between the Provisional Liquidators and its subsidiaries, have been involved in litigation with the Provisional Liquidators of Union Resources (Educational Development) Limited ("UR"), a former subsidiary of the Company. The other companies in the group which are involved are: Asian Information Resources (BVI) Limited, AIR Logistics International Limited, and Beijing AIR Strategy and Information Technology Limited. They have been made respondents by the Provisional Liquidators in their application for obtaining documents under an application made pursuant to section 221 of the Companies Ordinance.

The said companies contested the application of the Provisional Liquidators but lost in the hearing on 10 August 2006. The Provisional Liquidators have since obtained a costs order against the said companies. They have demanded a sum of HK$1,404,576 from the said companies. The sum demanded was considered to be unreasonable, hence no offer has been made to settle the outstanding costs order. In the circumstances, the issue requires to be adjudicated by the High Court of Hong Kong. The maximum exposure of the Company would be in the sum of HK$1,404,576 plus the costs of taxation.

(ii) Further action on the S.221 order

Even though the Company and the relevant subsidiaries have already endeavoured give all documents to the Provisional Liquidators, the Provisional Liquidators have still found the discovery to be unsatisfactory. Consequently, they have threatened to take further action against the Company and its subsidiaries for the outstanding documents that they could not locate or found missing. The Provisional Liquidators have reserved all their rights in relation to the application, including the right to apply to the Court to seek further relief. If the Provisional Liquidators do make further application to the Court, the Company envisages that additional legal costs will be incurred by the Company in relation to any application which may be made.

OPERATIONAL REVIEW

The Board is in the process of reviewing all the operations of the Group to ensure that the returns from those operations can be justified. The Board intends to dispose of all non-profitable operations within the Group. Furthermore, the Board will strive to reduce the operating costs of the Group.

Furthermore the Company is in the process of consolidating its core business of logistics services, and is constantly reviewing the return from this business to the Group. The Company has experienced severe competition in this division of its business, and has had to reassess the entire logistics business. The Company wishes to avoid overtrading in this particular area, and to this extent, is reviewing the turnover that can be achieved from the business and is aiming towards achieving profitability from all the divisions within the Group.

Performance of operating divisions

Logistic Services

Considering the importance of the business and the issues encountered by the Group last year in respect of the logistic operations, the management has put much effort to improving the operation and control through branches and subsidiaries. The effort includes but is not limited to increasing marketing efforts, widening, improving efficiency of our logistics services including freight forwarding services and keeping tighter control on the accounting records. The turnover of this operation decreased by approximately 37% compared to that of the previous period. This was mainly due to the fact that the Group experienced an extremely competitive environment in the PRC and that the Group closed down the non-profitable activities and branches of Everok International Forwarding Company Ltd which impacted on the turnover and gross profits of the logistics operations.

Furthermore, on 19 June 2007, the Water Carriage Division of the Ministry of Communication of the People's Republic of China (the MOC) issued a notice to all international liner service operators, demanding the enforcement of the "Regulations of the People's Republic of China on International Maritime Transportation", which required that 1. when concluding agreements on negotiated rates with NVOCCs (Non-Vessel Operating Common Carriers), international liner service operators shall make sure that such NVOCCs have registered their bills of lading and paid the required surety bond in accordance with the provisions of these regulations; and 2. an operator of international shipping services shall not accept cargo or containers from a NVOCC who fails to register its bill of lading and deposit the surety bond. The management considers it will have a negative impact on the logistic services business of the Company in the coming half year as a result of higher costs and additional demand for working capital. The Board is presently observing and reviewing the overall effects of such directives in the industry as a whole and make appropriate management decisions to safe-guard the operations of the subsidiary and maintain a viable operational environment for future business pursuits. Further announcement will be made after thorough assessment.

Information Technology

Over the past few years the information technology ("IT") division of the Group has only been able to contribute no more than HK$1 million in each financial year to the turnover of the Group. As a result the Company does not foresee any further opportunities for growth in the IT division of the Group, and so therefore the management of the Company has decided to close the web-hosting and web-design portions of the Group's IT division.

From the end of 2006, the Company has steadily decreased its IT division in an effort to reallocate the resources devoted to the IT division to more profitable areas of the Company's operations and in an attempt to cutout the lower revenue generating area of the IT division. The Company will maintain an IT Division, however it will be on a more reduced scale. This will allow the Company to reallocate the Company's resources to other areas of its existing operations, as well as new areas of development including project management and consulting, which the Company wishes to pursue in the forthcoming periods.

Financial Consultancy

The Group is presently in the process of developing new business to that of financial consultancy. With the acquisition of Vega International Group Limited ("Vega") the Group is now in the process of negotiating a number of contracts for the provision of financial consultancy services by Vega with companies in the southern China region. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, none of the Directors and the chief executive of the Company had registered an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the GEM Listing Rules.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 30 September 2007, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the share and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited *(Note 1)*	Beneficial owner	Corporate	327,685,431	57.77%
Aldgate Agents Limited *(Note 2)*	Beneficial owner	Corporate	66,120,000	11.66%
Mongolia Energy Corporation Limited	Interest of a controlled corporation	Corporate	66,120,000	11.66%

Notes:

1. Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.

2. Aldgate Agents Limited is a wholly owned subsidiary of Mongolia Energy Corporation Limited, previously known as New World Cyberbase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 30 September 2007, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

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 with the business of the Group.

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 30 September 2007.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company Code to bring our corporate governance practices in line with the changes in the environment and requirements of the Code.

In the opinion of the Directors, the Company has complied with all the provisions of the Code for the nine months ended 30 September 2007, except:

(i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. However, Mr. Ho Wing Yiu resigned as the chief executive officer with effect from 7 December 2006. Hence Mr. Xie Xuan, chairman of the Company, takes up the responsibilities of the chief executive officer until a replacement for the chief executive officer is found. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

(ii) under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company;

(iii) code provision A.4.2 of the Code requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest but not greater than one-third) shall retire from office by rotation provided that the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman and the managing director, all Directors are subject to retirement by rotation. The management of the Company will strive to comply with all the provisions of the Code by ensuring that the Directors will be subject to retirement by rotation at least every three years in future;

(iv) under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Chairman of the Company, Mr. Xie Xuan, had not attended the Company's annual general meeting for 2006 due to other business commitments.

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 to 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 period ended 30 September 2007.

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. Zhang Daorong, Mr. Wu Jixue and Mr. Yang Zhenhong, and has 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, 5 November 2007