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)

Third Quarterly Report 2010

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.

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 (Chairman), Mr. Yang Qiulin, and Mr. Qiu Yue; the non-executive directors are Mr. Lo Mun Lam, Raymond (Vice Chairman), and Mr. Andrew James Chandler; and the independent non-executive directors are Mr. Wu Jixue, Mr. Zhang Daorong, and Dr. Feng Ke.

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 and nine months ended 30 September 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

		For the three months ended 30 September		For the nine months ended 30 September	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**1,645**	6,288	**4,786**	30,683
Cost of services		**(274)**	(5,730)	**(1,240)**	(25,443)
Gross profit		**1,371**	558	**3,546**	5,240
Other revenue		**58**	57	**60**	259
Interest income		**1**	1	**2**	3
Staff costs		**(573)**	(1,797)	**(2,093)**	(6,425)
Operating lease rentals		**(56)**	(314)	**(257)**	(1,409)
Other operating expenses		**(1,511)**	263	**(3,151)**	(2,514)
Depreciation and amortization		**(7,825)**	(7,422)	**(23,491)**	(21,816)
Loss from operating activities		**(8,535)**	(8,654)	**(25,384)**	(26,662)
Finance costs		**(246)**	(178)	**(693)**	(490)
Loss before taxation		**(8,781)**	(8,832)	**(26,077)**	(27,152)
Taxation	*3*	**–**	(120)	**(2)**	(335)
Loss for the period		**(8,781)**	(8,952)	**(26,079)**	(27,487)
Attributable to:					
Equity holders of the Company		**(8,877)**	(8,690)	**(27,003)**	(26,656)
Minority interests		**96**	(262)	**924**	(831)
		(8,781)	(8,952)	**(26,079)**	(27,487)
Loss per share					
– Basic	*4*	**(0.91 cents)**	(0.90 cents)	**(2.79 cents)**	(2.77 cents)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2010 and the nine months ended 30 September 2009:

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserves	Translation Reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2009	96,342	119,693	26,020	(1,832)	(261,417)	(21,194)	100,083	78,889
Movement of the period	–	–	–	387	(27,487)	(27,100)	(831)	(27.931)
As at 30 September 2009	96,342	119,693	26,020	(1,445)	(288,904)	(48,294)	99,252	50,958
As at 1 January 2010	96,342	119,693	26,020	(1,113)	(310,359)	(69,417)	77,840	8,423
Movement of the period	1,300	2,275	–	(3)	(27,003)	(23,431)	924	(22,507)
As at 30 September 2010	**97,642**	**121,968**	**26,020**	**(1,116)**	**(337,362)**	**(92,848)**	**78,764**	**(14,084)**

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 2009.

2. TURNOVER

The Group's turnover represents the invoiced value of (1) service fees from the provision of internet protocol television ("IPTV") services; and (2) service fees from the provision of logistics services and excludes intra-Group transactions as follows:

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
IPTV services fees	**1,645**	4,535	**4,786**	4,535
Logistics services fees	**–**	1,753	**–**	26,148
Total turnover	**1,645**	6,288	**4,786**	30,683

3. TAXATION

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**–**	–	**–**	–
PRC income tax	**–**	120	**2**	335
	–	120	**2**	335

No Hong Kong profits tax has been provided for the nine months ended 30 September 2010 as the Group has no assessable profit in Hong Kong for the period.

4. **LOSS PER SHARE**

The calculation of basic loss per share for the three months and nine months ended 30 September 2010 is based on the net loss from ordinary activities attributable to equity holders of the Company of approximately HK$8,877,000 (2009: HK$8,690,000) and HK$27,003,000 (2009: HK$26,656,000) and the weighted average number of ordinary shares of approximately 975,840,208 and 967,543,447 respectively (2009: 963,417,986 and 963,417,986) during the periods.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2010 (2009: 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 2010 was approximately HK$4,786,000 (2009: HK$30,683,000) which was decreased by approximately 84.4% as compared to that of the previous financial year. The main reason for the significant decrease in the total turnover of the Group is the impact of the initiation of the closure of Ever-OK International Forwarding Co., Limited (PRC) ("Ever-OK") in November 2009.

The unaudited consolidated loss from operations for the nine months ended 30 September 2010 was approximately HK$26,079,000, which was approximately the same as compared with the corresponding period last year, HK$27,487,000. The large loss for the period is mainly attributable to the provision which has been made for depreciation and amortization on the tangible and intangible assets of the Group for the nine months ended 30 September 2010 in the amount of HK$23,491,000 as the Board on the recommendation of the Company's auditors has adopted a prudent approach and determined that an amortization provision should be made on the intangible assets of the Group.

The Group's gross profit margin is increased from 17.08% for the nine months ended 30 September 2009 to 74.09% for the current period. The increase in gross profit margin is due to the closure of the Groups' non-profitable operations and the subsequent reduction in the administrative and operating costs of the Group.

Financial cost

The financial cost of the Group for the nine months ended 30 September 2010 was approximately HK$693,000 (2009: HK$490,000) which was increased by approximately 41.4% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the nine months ended 30 September 2010, the Group's borrowing consists of a loan from the ultimate holding company of HK$19,594,000. The Group had a cash balance of approximately HK$2,642,000 (2009: HK$3,267,000).

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 2010 has increased to HK$97,641,799 as compared with that for the same period last year (2009: HK$96,341,799).

Gearing Ratio

For the nine months ended 30 September 2010, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 19.9% (2009: 13.04%).

Employee and remuneration policies

For the nine months ended 30 September 2010, the Group employed a total of 21 employees (2009: 46), of which 5 were located in Hong Kong and the remaining 16 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.

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.

Those subsidiaries which are currently in the deregistration process are: AIR Logistics International Holdings Limited, AIR SQW Limited, Asian Information Resources Consultants Limited, Explore International Limited, Explore Limited, Sinobase Asia Limited, Sino Resource Investments Limited, Asian Information Resources Techlogic Limited (which is the direct holding Company of Ever-OK), and Guangzhou Shilian Software Technological Co. Limited.

Those subsidiaries which have been deregistered during the period are: AIR Logistics International Limited (BVI), and Chinareference.com 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

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited, as the second plaintiff, initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants.

The Board, after a preliminary assessment of the relevant writ of summons, is of the view that in the event that the proposed mediation referred to in the Company's announcement dated 28 April 2010 is unsuccessful in resolving the relevant claims, and that in the event that UREDY is successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000 and a possible claim for UREDY's legal costs are awarded against the Company, that such an award will not have a material adverse impact on the Group's financial position, in the long term. The Board considers that the Group is exposed to contingent liabilities in this connection.

Save as disclosed above, as at 30 September 2010 neither the Company nor any of its subsidiaries is involved in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Board to be pending or threatened against the Company or any of its subsidiaries.

OPERATIONAL REVIEW

During the period under review, the Group sought to further enlarge its revenue base through the further development of the Group's internet protocol television ("IPTV") division which currently provides internet protocol value added services to the greater southern China region. The Company has a sufficient level of operations in its IPTV division and has sufficient assets to operate its business as a going concern. The Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has, in addition to those assets held by the IPTV division, sufficient assets to operate its business due to the continuing support of the Company's immediate holding company.

The Board, looking forward, is contemplating transferring the investment operations of the Group, which will allow the Company to focus on project investments which will derive value for the Company's shareholders, and pave the way for the Company's future growth, both in terms of revenue streams and profits achieved from its business operations.

Having consolidated the control of the Company, through the restructuring exercise which was completed in May 2010, wherein Glamour House Limited obtained majority control of the Company's immediate holding company Asian Dynamics International Limited ("Asian Dynamics"), the Board is now well positioned to pursue other new business pursuits. In fact Glamour House Limited has been a substantial shareholder of Asian Dynamics for many years, and the restructuring exercise, which was completed upon the close of the mandatory unconditional general offers on 9 July 2010, will facilitate the Board being able to focus, with further support from the Company's ultimate controlling shareholder, the pursuit of other project investments which the Board is of the view will derive enhanced benefit to the Company and the Company's shareholders.

Such new business pursuits may, should the economic environment accommodate future development, encompass the investment into projects which will provide synergy between the Group's existing IPTV division, whilst building on the Board's knowledge gained through the Company's logistics operations.

Performance of operating divisions

Logistics Division

Shareholders and potential investors were advised by the Board in the Company's announcement dated 2 November 2009 that the Board was informed by the management of Ever-OK that Ever-OK was not operating as a profitable entity, and that the achievement of profitability in the foreseeable future was not a realistic possibility. Given that information, and given the Board's desire to focus on the newly acquired IPTV division, the Board determined that it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK.

The Board is of the view that the closure of the business operations of Ever-OK will not have an adverse effect on the Group, rather such closure, which will allow the Group to reduce its operating costs, will lead it is anticipated towards the Group achieving profitability in future periods, through the reduction of further capital expenditure and reallocation of such capital to the Group's IPTV division and future project investments the Group intends to engage in.

After the initiation of the closure of Ever-OK, the Group's logistics division has not derived any revenue attributable to the Group since 31 December 2009. The Board expects to finalise the closure of Ever-OK within the forthcoming reporting periods. The Board has been advised by the management of Ever-OK that the closure of all the business operations and branches has now been effected, save for one branch of Ever-OK which has outstanding tax liabilities that need to be resolved prior to its closure. Therefore the Board is advised that Ever-OK is in the very final stages of the closure of its business operations.

The Board does not foresee the Company having to outlay any further capital in effecting the closure of Ever-OK in the forthcoming periods. Whilst the Board, has for all intents and purposes, effected the closure of Ever-OK, it does not intend that the Group will depart from the logistics industry entirely and, as stated above, is presently researching and developing potential project investments which will bring synergy between the Group's existing IPTV division, whilst drawing on the knowledge the Board has acquired through the operations of the Group's logistics division. The Board is now considering acquiring a project investment of this nature. That is an acquisition of a project which will align both the IPTV division with the Board's knowledge of the logistics industry.

Information Technology Division

For the nine months ended 30 September 2010, the Group's revenue from its IPTV division was composed of the provision of technology and upgrades, contents and high-definition ("HD") value added services to the customers of established internet and network services providers which South Pearl Limited ("South Pearl") is currently in partnership with, which amounted to approximately HK$4,786,000.

As to South Pearl's provision of direct IPTV services, having established and upgraded its necessary networks, South Pearl expects that it will launch the provision of direct IPTV services with associated value-added services in full force in the next one to two years, and that the expected potential subscribers to the proposed direct IPTV services to be provided, upon completion of the development and implementation of this technology platform, is expected to be no less than 50,000 subscribers.

South Pearl is now also actively negotiating agreements with other third parties for the provision of advertising slots and services, the revenue from which will be derived once the direct IPTV services network issues are addressed and the direct IPTV services are provided to South Pearl's potential customer base for the receipt of direct IPTV services. As to its downstream services, South Pearl has already concluded an agreement for the provision of RMB5,000,000 of advertising airspace to Guangdong Tao Lue Advertising Company Limited (廣州濤略廣告有限公司) ("Toshe"). The Board, with regard to the proposed further advertising agreements to be agreed, such as the Toshe advertising agreement, expects that revenue from these proposed agreements will be realized upon the provision of the direct IPTV services to South Pearl's potential consumer base, at which time the Group's revenue is expected to increase.

In addition the company known as Guangdong E.Trust Information Investment Co Ltd (廣東盈信信息投資有限公司) ("Yung Shing") is an internet services provider ("ISP") based in the Guangzhou region which provides ISP services to its subscriber base which the Board has been advised generates no less approximately RMB60,000,000 in revenue for Yung Shing per annum. In the Group's usual and ordinary course of business Guangzhou Wavecom Communications and Advertising Limited ("Wavecom"), which is wholly-owned as to 100% by the Company, intends to enter into servicing agreements with Yung Shing whereby Wavecom will provide internet protocol value added services to Yung Shing's subscribers, in return for which Wavecom will receive an agreed percentage of Yung Shing's revenue based on the value added services provided. The Board expects that these servicing agreements, once concluded, will generate value added revenue of approximately RMB10,000,000 to RMB15,000,000 for 2010-2011.

Looking forward to the forthcoming quarters, Wavecom is seeking to enter into agreements with other ISP providers to further expand the revenue that the IPTV division expects to generate from the provision of internet protocol value added services to the established subscriber bases of other ISP providers. In terms of the revenue derived by Wavecom, 100% of this revenue is directly attributable to the condensed consolidated accounts of the Group, given the fact that the Company owns Wavecom as to 100%.

The Board is of the view that the key competitive strength of the Group, with regards to the IPTV division, is its exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the "Permit") granted from Guangzhou Television Broadcast Microwave General Station (廣州市廣播電視微波總站). To date, the Group's IPTV division has secured the necessary operating licenses and has fulfilled the necessary research, development and technology investment, such as an agreement with Microsoft, to position itself for the provision of direct IPTV services to the greater southern China region.

The Board has noted that recently the IPTV industry in the southern China region has undergone a diversification process, wherein a new licensing regime has been incorporated into the telecommunications, and hence the IPTV industry. The Board understands that the Guangzhou Broadcasting Bureau will issue a directive that all broadcasting licenses must also incorporate the involvement of the Guangzhou Broadcasting Bureau into the operations carried on pursuant to the relevant broadcasting licenses. The Board understands that the Permit, namely the Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證), will comply with the proposed directive of the Guangzhou Broadcasting Bureau, which the Board considers will ensure that the Group's IPTV operations will not, in the foreseeable future, face any compliance issues in this regard.

The Board considers that the diversification process which the IPTV industry in the southern China region is undergoing justifies the slow pace of the development of the Group's IPTV division. In fact recently the authorities in China have been implementing a convergence process whereby three of the existing telecommunications networks will be incorporated into one regime. The new regime, and the newly enacted regulations, will mainly be related to the implementation of a regime whereby the Guangzhou Broadcasting Bureau has more input into the telecommunications industry. The Permit accommodates and accords with the proposed new regulatory regime, which further justifies the value of the Permit.

The Board, through its adoption of a prudent and cautious approach to the proposed new regulatory regime, is positioning the Company to take advantage of the new regulations, once they are enacted. As the Permit meets the requirements of the proposed new regulations, saving any unforeseen amendments to the new regulatory regime, the IPTV division will be well placed to take immediate advantage of the benefits afforded by the new regulatory regime once it comes into effect.

Whilst the Board has been adopting a prudent and cautious approach with regard to further investing, developing and expanding the Group's IPTV division, the Board has been very actively involved in developing the IPTV division such that it has sufficient assets and a sufficient level of operations which the Board is of the view delivers present, and more positively looking forward, future enhanced benefits for the Company's shareholders.

Financial Consultancy

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.

With the acquisition of Vega International Group Limited, which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services, the Group is researching, developing and exploring further opportunities for development in the corporate finance sector which will further contribute to the current revenue streams generated by the Group.

In relation to the corporate finance sector, the Board is planning to devote more time and resources towards expanding the provision of financial consultancy services to business sectors that complement and have synergy with the household consumers and media services that the IPTV division of the Company is presently pursuing. The Board envisages that such services, if agreed, will encompass the establishment of financial advisory offices which will provide investment, financial and project management advise to other companies. 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.

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 30 September 2010, 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) Interests in the Shares

	Number of issued shares held, capacity and nature of interest					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued Shares as at 30 September 2010
Directors						
Mr. Xie Xuan	–	–	546,846,132 *(Note 1)*	–	546,846,132	56.01
Mr. Qiu Yue	15,600,000	–	18,620,436 *(Note 2)*	–	34,220,436	3.50
	15,600,000	–	565,466,568	–	581,066,568	59.51

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 30 September 2010, 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 30 September 2010, 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) Interests in the Shares

Name of Shareholder	Capacity	Number of shares	Approximate % issued Shares as at 30 September 2010
Asian Dynamics International Limited	Beneficial owner	546,846,132	56.01%
Glamour House Limited *(Note 1)*	Interest of a controlled corporation	546,846,132	56.01%
Mr. Chu Yat Hong *(Note 2)*	Interest of a controlled corporation	546,846,132	56.01%

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Note 2: The controlled corporation is Glamour House Limited, which is beneficially owned at to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Save as disclosed above, as at 30 September 2010, 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.

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 SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, Glamour House Limited, Mr. Chu Yat Hong, and Mr. Xie Xuan, as disclosed above, there was no other person as at 30 September 2010 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.

SHARE OPTIONS AND SHARE OPTION SCHEME

Pursuant to a specific mandate granted by the Company's shareholders at the Company's extraordinary general meeting held on 4 October 2007, the Company granted 97,840,073 share options (the "Share Options") entitling the holders of the Share Options to subscribe for 97,840,073 ordinary shares at the exercise price of HK$0.275 per share.

As at 30 September 2010, there were outstanding 84,840,073 Share Options that fall to be exercised at the exercise price of HK$0.275 per share.

The Company had a share option scheme, under which it could grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of the options. The Company's employee share option scheme commenced on 2 December 1999 and expired on 1 December 2009. The Company does not currently have a share option scheme in effect.

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 2010.

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 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 2010.

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 Dr. Feng Ke, 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, 10 November 2010