

**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)**

**Third Quarterly Report 2012**

## **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.**

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*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), and Mr. Qiu Yue; the non-executive director is Mr. Lo Mun Lam Raymond (Vice Chairman); and the independent non-executive directors are Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.*

## 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 2012 together with the comparative figures for the corresponding periods in 2011 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	2	<b>1,616</b>	1,928	<b>4,557</b>	5,116
Cost of services		<b>(315)</b>	(131)	<b>(1,095)</b>	(1,617)
Gross profit		<b>1,301</b>	1,797	<b>3,462</b>	3,499
Other revenue		–	–	–	–
Gain on Deregistration of a subsidiary		–	26,500	–	26,500
Interest income		<b>1</b>	–	<b>1</b>	2
Staff costs		<b>(352)</b>	(875)	<b>(1,113)</b>	(2,211)
Operating lease rentals		<b>(65)</b>	(73)	<b>(191)</b>	(186)
Other operating expenses		<b>(187)</b>	(175)	<b>(1,586)</b>	(1,183)
Depreciation and amortization		<b>(2,889)</b>	(4,908)	<b>(8,678)</b>	(14,721)
Profit/Loss from operating activities		<b>(2,191)</b>	22,266	<b>(8,105)</b>	11,700
Finance costs		<b>(294)</b>	(259)	<b>(856)</b>	(761)
Profit/Loss before taxation		<b>(2,485)</b>	22,007	<b>(8,961)</b>	10,939
Taxation	3	<b>(97)</b>	–	<b>(273)</b>	557
Profit/Loss for the period		<b>(2,582)</b>	22,007	<b>(9,234)</b>	11,496
Attributable to:					
Equity holders of the Company		<b>(2,960)</b>	22,117	<b>(10,235)</b>	11,484
Non controlling interest		<b>378</b>	(110)	<b>1,001</b>	12
		<b>(2,582)</b>	22,007	<b>(9,234)</b>	11,496
Earning/Loss per share					
— Basic	4	<b>(0.27 cents)</b>	2.04 cents	<b>(0.95 cents)</b>	1.07 cents

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2012 and the nine months ended 30 September 2011:

	Share capital	Share premium	Capital reserve	Translation Reserves	Convertible notes Reserve	Accumulated reserve	Sub-total	Non- Controlling Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2011	98,842	124,060	26,020	(3,456)	11,979	(378,075)	(120,630)	30,213	(90,417)
Movement for the period	9,427	8,480	-	-	(2,821)	11,484	26,570	12	26,582
As at 30 September 2011	108,269	132,540	26,020	(3,456)	9,158	(366,591)	(94,060)	30,225	(63,835)
As at 1 January 2012	108,269	135,790	26,020	(1,182)	9,158	(377,229)	(99,174)	11,948	(87,226)
Movement for the period	-	-	-	-	-	(10,235)	(10,235)	1,001	(9,234)
As at 30 September 2012	108,269	135,780	26,020	(1,182)	9,158	(387,464)	(109,409)	12,949	(96,460)

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 2011.

## 2. TURNOVER

The Group’s turnover represents the invoiced value of service fees from the provision of internet protocol television (“IPTV”) services and related value-added services; and excludes intra-Group transactions as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$’000	2011 HK\$’000	2012 HK\$’000	2011 HK\$’000
IPTV services fees	1,616	1,928	4,557	5,116
Total turnover	1,616	1,928	4,557	5,116

## 3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$’000	2011 HK\$’000	2012 HK\$’000	2011 HK\$’000
Hong Kong Tax	–	–	–	557
PRC Tax	(97)	–	(273)	–
	(97)	–	(273)	557

No Hong Kong profits tax has been provided for the nine months ended 30 September 2012 as the Group has no assessable profit in Hong Kong for the period.

## 4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2012 is based on the net loss from ordinary activities attributable to equity holders of the Company of approximately HK\$2,960,000 (2011: HK\$22,117,000 profit) and loss HK\$10,235,000 (2011: HK\$11,484,000 profit) and the weighted average number of ordinary shares of approximately 1,082,687,986 and 1,082,687,986 respectively (2011: 1,069,613,383 and 1,082,687,986) during the periods.

## **DIVIDEND**

The Board does not recommend the payment of dividend for the nine months ended 30 September 2012 (2011: 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 2012 was approximately HK\$4,557,000 (2011: HK\$5,116,000) which was decreased by approximately 10.93% as compared to that of the previous financial year. The decrease in turnover was due to market uncertainty which affected the Group's IPTV division .

The unaudited consolidated loss from operations for the nine months ended 30 September 2012 was approximately HK\$9,234,000, as compared with the corresponding period last year profit, HK\$11,496,000. The increase in loss for the period was mainly attributable to the short fall of a non-recurring "Gain on Deregistration of a subsidiary" gain in 2011.

Provision has been made for amortisation on the intangible assets of the Group in the amount of approximately HK\$8,130,000 as the Board has adopted a prudent approach and determined that amortisation on the intangible assets provision should be made on the intangible assets of the Group.

The intangible assets of the Group are comprised of the IPTV permit, namely the "Broadcast of Audio-Video Program On Web Permit" (信息網路傳播視聽節目許可證) (the "Permit") currently held by Guangzhou Wavecom Communications and Advertising Limited ("Guangzhou Wavecom"). Guangzhou Wavecom is a wholly-owned subsidiary of the Company and possession of the Permit allows Guangzhou Wavecom's subsidiary, South Pearl Limited, to operate the Group's IPTV division in the greater southern China region. The Permit has been granted by Guangzhou Television Broadcast Microwave General Station ("Guangzhou Television Station") to Guangzhou Wavecom. Possession of the Permit allows, and is a prerequisite to South Pearl Limited being able to act as the exclusive service provider of Guangzhou Television Station's programmes, advertising and other IPTV services within the greater southern China region. The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

The Group's gross profit margin is increased from approximately 68% for the nine months ended 30 September 2011 to approximately 76% for the current period.

### **Financial cost**

The financial cost of the Group for the nine months ended 30 September 2012 was approximately HK\$856,000 (2011: HK\$761,000) which was increased by approximately 12.48% as compared to that of the same period of last year.

### **Liquidity, financial resources and capital structure**

For the nine months ended 30 September 2012, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK\$24,095,000. The Group had a cash balance of approximately HK\$1,125,000.

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 2012 was HK\$108,268,799 (2011: HK\$108,268,799).

### **Gearing Ratio**

As at 30 September 2012, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 558.63% (2011: 232.85%).

### **Employee and remuneration policies**

As at 30 September 2012, the Group employed a total of 17 employees (as at 30 September 2011: 18), of which 3 were located in Hong Kong and the remaining 14 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.

## **OPERATIONAL REVIEW**

During the period of the last three months under review, the Group had engaged into continuous discussions in the PRC to further enlarge its revenue base through the further development of the Group's IPTV division which currently provides IPTV value added services to the greater southern China region. Based on the believe of the Board and management, the Company has a sufficient level of operations in its IPTV value-added services and to operate its business as a going concern which serves as a development platform for the expanded businesses that the Group would engaged into. 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 in the foreseeable future.

The Board, looking forward, is contemplating expanding the investment operations of the Group, which will allow the Company to focus on synergy project investments which shall 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.

The Group announced in 12 May 2012 whereby, a letter of intent was signed with a PRC entity to cooperate in the value-added business by using satellite media to cover the expansion. Unfortunately, due to market condition of China, and the financial crises of the European Community, such services faced prolonged discussions and extensive management involvement. The Board decided on 11 October 2012 to terminate the current negotiation, and instead review the possibility to partner with one of the existing southern china operator to extend our platform of value-added services instead.

The Board is confident that based on the progress of the current discussions, substantial improvements in our level of services for the existing captive customer base is anticipated.

### **Performance of operating divisions**

#### *Information Technology Division*

Since 2010, the Company entered into strategic alliance with a local internet carrier to deploy the iPTV services to selective blocks of subscribers as trial run, to test the maturity of the system, and the interactive features of the Internet in order to reach critical masses following the launch.



Due to the complexity of the regulatory framework of IPTV in China consists of a combination of traditional TV regulatory measures, access regulations, and regulation of resources in the IP platform. The Company has endeavored to satisfy the customers' expectations, and navigate the regulatory framework through prudent and careful assessment, prior to engage itself into large scale investment and marketing campaign to promote the services.

Besides, continuous market studies has been conducted by the Group's strategic team focusing on residential market and high profit customer base, which the Company had been trying to develop by engaging in various discussions with PRC developers to service their "residential communities" with value-added services on video and IP applications. The Management believes that it can be achieved better performance in the next two years with better deployment of technologies and service coverage.

#### *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.

## **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: Sinobase Asia Limited.

AIR Logistics International Holdings Limited, Sino Resource Investments Limited and Asian Information Resources Consultants Limited has been deregistered during the third quarter of 2012.

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**

On 9 October 2012, upon receiving application from holders of HK\$66,017,139 Convertible Notes, representing the total outstanding as at 9 October 2012, the Company issued and allotted 302,830,111 new shares at the Conversion Price of HK\$0.218/share to them.

On 10 August 2012, the Company made an announcement, pursuant to Rule 17.10 of the GEM Listing Rules on “**SUPPLEMENTAL MOU**” and “**EXTENSION OF LONG STOP DATE OF PLACING AGREEMENT**”.

Further to the above announcements, the Company made an announcement on 11 October 2012 for “**UPDATE ON THE MEMORANDUM OF UNDERSTANDING AND LAPSE OF PLACING AGREEMENT**”, content of which is summarized below:

### **Update on the Memorandum of Understanding**

The Board announces that as terms could not be agreed with the counterparty, the Company would not pursue further on the MOU.

### **Lapse of Placing Agreement**

The Board further announces that the Placing Agreement for the Placing of up to 70,000,000 Placing Shares at a price of HK\$0.428 per Placing Share on a best efforts basis has been lapsed on 11 October 2012.

## 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 2012, 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					Percentage of the Company's issued Shares as at 30 September 2012
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
<i>Directors</i>						
Mr. Xie Xuan	-	-	546,964,782 <i>(Note 1)</i>	-	546,964,782	50.52%
Mr. Qiu Yue	15,430,000	-	18,620,436 <i>(Note 2)</i>	-	34,050,436	3.14%
	15,430,000	-	565,585,218	-	581,015,218	53.66%

*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 2012, 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 2012, 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 30 September 2012
Glamour House Limited	Interest of a controlled corporation ( <i>Note 1</i> )	546,964,782	50.52%
Mr. Chu Yat Hong	Interest of a controlled corporation ( <i>Note 2</i> )	546,964,782	50.52%
Asian Dynamics International Limited	Beneficial owner	546,846,132	50.51%
Logic Ease Group Limited	Beneficial Owner	86,500,000	7.99%

*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 as to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

(ii) *Long Positions in the Underlying Shares*

Long positions in the unlisted zero-coupon convertible redeemable notes with 24-month maturity issued on 11 October 2010 (the “2010 Convertible Notes”) of the Company.

Name of Substantial Shareholder	Capacity and nature of interest	Amount of 2010 Convertible Notes (HK\$)	Number of underlying Shares	Percentage of the Company’s issued Shares as at 30 September 2012
Perfect Image Group Limited	Beneficial Owner	19,931,938.68	91,430,911	8.84%
Blue Balloon Limited	Beneficial Owner	18,857,000.00	86,500,000	7.99%
Sweetly Limited	Beneficial Owner	18,857,000.00	86,500,000	7.99%

Holders of the 2010 Convertible Notes are entitled to elect to convert the 2010 Convertible Notes into Shares at the conversion price of HK\$0.218 per Share until 10 October 2012.

Save as disclosed above, as at 30 September 2012, 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, Mr. Xie Xuan and Logic Ease Group Limited as disclosed above, there was no other person as at 30 September 2012 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.

## **CONVERTIBLE NOTES**

On 11 October 2010 the Company, pursuant to the acquisition agreement as described in the Company's circular dated 28 February 2008, issued in aggregate HK\$86,349,999 of zerocoupon convertible notes convertible at the initial Conversion Price of HK\$0.218 per Share with 24-month maturity, in the amounts of HK\$76,272,955 of Convertible Notes were issued to Asian Dynamics International Limited and approximately HK\$10,077,044 of Convertible Notes were issued to Lucky Peace Limited.

As at 30 September 2012 there were outstanding and in issue in aggregate HK\$66,017,139 of zero-coupon convertible notes convertible at the initial Conversion Price of HK\$0.218 per Share with 24-month maturity.

## **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 2012.

## **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.

### **Compliance with Corporate Governance Code**

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 its 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 2012, 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. At present, Mr. Xie Xuan, the chairman of the Company, also undertakes the responsibilities of the chief executive officer until a new chief executive officer is found. The Company considers that under the supervision of its Board and its 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) 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 2011 due to other business commitments.



## **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 Company's directors.

The Company has made specific enquiry of all its 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 nine months ended 30 September 2012.

## **Board of Directors**

The Board is responsible for managing the Company on behalf of the shareholders. The Board is of the view that it is the directors' responsibility to create value for the shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of six directors, with two executive directors, namely Mr. Xie Xuan (Chairman), and Mr. Qiu Yue; one non-executive director, namely Mr. Lo Mun Lam, Raymond (Vice-Chairman); and three independent non-executive directors namely Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

The Board meets at least four times a year with additional meetings arranged when necessary, to review the financial performance, results of each quarter, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference calls may be used to improve attendance when an individual director cannot attend the meeting in person.

## **Internal Control**

The directors have reviewed and are satisfied with their ability to comply with the policies installed as part of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. Furthermore, the directors are satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programs and budget.

## **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, 14 November 2012