

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 2016

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), Mr. Qiu Yue and Dr. Feng Ke; and the independent non-executive directors are Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi.

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 2016 together with the comparative figures for the corresponding periods in 2015 as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
CONTINUING OPERATION					
Turnover	2	3,540	12,700	15,140	23,234
Cost of services		–	(1,363)	(6,000)	(2,540)
Gross profit		3,540	11,337	9,140	20,694
Other revenue		88	43	183	143
Interest income		–	–	–	3
Staff costs		(848)	(903)	(2,472)	(5,227)
Operating lease rentals		(189)	(135)	(724)	(868)
Other operating expenses		(1,490)	(3,107)	(4,323)	(7,434)
Depreciation and amortization		(67)	(7,277)	(366)	(12,514)
(Loss)/Gain from operating activities		1,034	(42)	1,438	(5,203)
Finance costs		(255)	(296)	(747)	(883)
Income/(Loss) before taxation		779	(338)	691	(6,086)
Taxation	3	(885)	–	(1,396)	–
Loss for the period from continuing operation		(106)	(338)	(705)	(6,086)
Profit from disposal of subsidiaries		–	–	7,680	–
Profit/(Loss) for the period		(106)	(338)	6,975	(6,086)
Attributable to:					
Equity holders of the Company		(94)	(338)	3,186	(5,669)
Non controlling interest		(12)	–	3,789	(417)
		(106)	(338)	6,975	(6,086)
Earning/(Loss) per share					
– Basic	4	(0.01cents)	(0.02cents)	0.18cents	(0.32cents)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2016

Attributable to equity holders of the Company

	Issued Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Translation Reserve <i>HK\$'000</i>	Accumulated Loss <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non Controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2015	176,183	304,371	26,020	(3,587)	(401,961)	101,026	1,739	102,765
Movement of the period	-	-	-	-	(5,669)	(5,669)	(417)	(6,086)
As at 30 September 2015	176,183	304,371	26,020	(3,587)	(407,630)	95,357	1,322	96,679
As at 1 January 2016	176,183	304,371	26,020	(3,751)	(413,804)	89,019	(19,212)	69,807
Movement of the period	-	-	-	-	3,186	3,186	3,789	6,975
Non Controlling interest arising on disposal of subsidiaries	-	-	(11)	-	-	(11)	-	(11)
As at 30 September 2016	176,183	304,371	26,009	(3,751)	(410,618)	92,194	(15,423)	76,771

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 2015.

2. TURNOVER

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

	For the three months ended		For the nine months ended	
	30 September 2016	2015	30 September 2016	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Management and Consultancy Fee	3,540	12,700	15,140	23,234
Total turnover	3,540	12,700	15,140	23,234

3. TAXATION

	For the three months ended		For the nine months ended	
	30 September 2016	2015	30 September 2016	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong Tax	-	-	-	-
PRC Tax	885	-	1,396	-

No Hong Kong profits tax has been provided for the nine months ended 30 September 2016 as the Group has no assessable profit in Hong Kong for the period.

4. EARNINGS PER SHARE

The calculation of basic loss (3 months) and earning (9 months) per share for the three months and nine months ended 30 September 2016 are based on the net loss and profit from ordinary activities attributable to equity holders of the Company of approximately loss HK\$106,000, three months ended 30 September 2016 (2015: loss HK\$338,000) and profit of HK\$6,975,000, nine months ended 30 September 2016 (2015: loss HK\$5,669,000) and the weighted average number of ordinary shares of approximately 1,761,825,563 (2015: 1,761,825,563) during the periods.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2016 (2015: 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 2016 was approximately HK\$15,140,000 (2015: HK\$23,234,000) which had decreased by approximately 34.84% as compared to that of the previous financial year. Profit for of the Group for the nine months ended 30 September 2016 was approximately HK\$6,975,000. Increase in profit was because of an once-off profit from the disposal of subsidiaries reported in first quarter of the year.

The unaudited consolidated profit from operations, before finance costs and tax, for the nine months ended 30 September 2016 was approximately HK\$1,438,000 as compared with the corresponding period last year loss of HK\$5,203,000. The decrease in loss for the period was mainly attributable to the overall reduction in expenses to from last year's approximately HK\$26,043,000 by more than two third to this 2016's approximately HK\$7,885,000.

A provision of HK\$6,000,000 was made, as a prudence measure agreed by the board, for the possible cost of recovering the service fee reported in the interim report.

The Board believes on the basis of the reviewed existing contracts that the profit guarantee will be achieved.

Financial cost

The financial cost of the Group for the nine months ended 30 September 2016 was approximately HK\$746,000 (2015: HK\$883,000) which had decreased by approximately 15.52% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the nine months ended 30 September 2016, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK\$23,077,000. The Group had a cash balance of approximately HK\$3,601,000.

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 2016 was HK\$176,182,556 (2015: HK\$176,182,556).

Gearing Ratio

As at 30 September 2016, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 61.35% (2015: 56.01%).

Employee and remuneration policies

As at 30 September 2016, the Group employed a total of 9 employees (as at 30 September 2015: 9), of which 3 were located in Hong Kong, 5 in the PRC and 1 located in USA. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

OPERATIONAL REVIEW

During the period under review, the Group was focusing its effort in its management services consultative on the financial related sector and the process of retaining the private investment fund manager certificate after the associated PRC regulators have amended the applicable rules and regulations for maintaining the certificate. Furthermore the Group continues to research, develop, explore investment and joint ventures opportunities in licensed asset management sectors in Singapore and

California, which are strategic to its business operations and operates under similar laws with the Hong Kong SAR base. Both The Group and the Company does not have any financial difficulties to an extent that may seriously impair the Company's ability to continue its business and the revenue generated by the services provided sufficient cash-flow to operate efficiently.

The Board, looking forward, views that by concentrating on providing our services and expanding on its financial related services and private equity consultative by securing more equity management contracts, will enhance the company's incremental business and the future value of the company.

Management services and financial related services

During the period under review the Company has been focused on actively developing and expanding the business in the management and consultative services in the financial services sector and upholding the Company's private investment fund manager certificate with the currently revised requirements.

As of 5 Feb 2016, the Asset Management Association of China has implemented a series of new requirements for the private investment fund manager certificate holders to comply with in order to uphold their respective certificates. These measures and stringent requirements are aimed at improving the standard of the private fund management industry as a whole and to further develop the PRC private fund management market as compared to the global markets. As of August 2016 the number of companies registered for the private investment fund manager certificate was approximately 16,000. However the number of companies that were able to comply with the newly enforced requirements while maintaining their status quo was approximately 7,000 with the remaining 9,000 companies having their certificates revoked. Through the positive efforts of the management during the past quarter the Company has been successful in retaining its certificate.

As stated in the previous interim report, one of the private investment fund is unavoidably, affected by the south China real estate conglomerate's corporate endeavors, and currently negotiations are taking place to restructure fund. The management will negotiate according to the best interest of the Company and its shareholders as whole and will inform the public should more information becomes available. The board believes the outcome of the negotiations will not have any material effects on the financial performance of the Company. Up to date the terms and conditions of the fund remains unchanged with normal operations intact.

The Company has been continually engaging the financial advisory roles for a number of overseas investment opportunities, which are in line with the PRC directives of Chinese outbound foreign direct investments, covering regions in Europe, South East Asia and America. The Company serves as the general partners for the limited partnerships formed; which entitles the Company to take on a lead role in the investment decisions making process regarding investment opportunities involved. The Company is currently in the process of structuring joint ventures under general partnership basis, with a number of geographically well placed strategic partners for the operations of the management services of the investment ventures. These investments will be funded by the increase demand of chinese investors looking for investment opportunities overseas, acting as limited partners. This demand has been emerging because China has transformed rapidly from being an importer of capital into a major exporter of capital creating a substantial amount of capital outflow demand. In addition, with the trend of RMB liberalization on the horizon, the Group envisions it will be in a great position to take advantage of the future macro-economic environment.

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

Preliminary Environmental, Social and Governance Report

Although the Group's core business is not strongly tied to emissions that are hazardous to the environment the Group has adopted other ways to try to have an impact. During the period under review the Group have actively engaged in the environmental, social and governance (ESG) process. The board and the senior executives of the Company has participated in over 20 hours of ESG training. In addition, the directors of the Group are currently very well diversified in respect of both professionally and geographically to ensure the Group will be prepared for ongoing ESG compliances.

For the environmental aspect in particular, the directors and senior executives have actively engaged in telephone conference meetings rather than the traditional face-to-face for all non-essential meetings. This will decrease the transports for the board and the senior executives, hence reducing the corresponding carbon emission produced from the traveling. Also, the Group has taken on an electronic based filing storage system whereby the amount of printed materials and hard copies of non-essential materials will be kept at a minimum in order to promote a more green corporate culture.

As for the social aspect, the Group will review and screen clients for their social and environmental effects to the society before engaging in consultation services with them. In addition, to the best knowledge of the Group none of the directors and senior executives are under any legal disputes or have any outstanding legal issues which requires exhaustive social responsibilities, to make the case socially responsive to public good.

Going forward the Group and its board will continue to improve, enhance and promote the ESG process.

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.

During the nine months reporting period Kasun Asian Capital Resources Management Limited and South Pearl Limited (廣州南方明珠網絡有限公司) were de-registered.

As disclosed in the Company's 2015 Annual Report, Vega International Group Limited, Vega Capital Limited (廣州維嘉投資顧問有限公司) and Shanghai Zero2IPO M&A Fund Management Co Limited (上海清科凱盛投資管理有限公司) were disposed during the nine months reporting period (in March 2016).

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Nil

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Nil

DISCLOSURE OF INTERESTS

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

As at 30 September 2016, 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 2016
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Directors						
Mr. Xie Xuan	-	-	518,014,782 (Note 1)	-	518,014,782	29.40%
Mr. Qiu Yue	15,430,000	-	18,620,436 (Note 2)	-	34,050,436	2.29%
	15,430,000	-	563,135,218	-	578,565,218	38.95%

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 2016, 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 2016, 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 2016
Glamour House Limited	Interest of a controlled corporation (<i>Note 1</i>)	518,014,782	29.40%
Asian Dynamics International Limited	Beneficial owner	517,896,132	29.39%
Century Field Limited	Beneficial Owner	276,306,666	15.68%

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

Save as disclosed above, as at 30 September 2016, 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 and Mr. Xie Xuan as disclosed above, there was no other person as at 30 September 2016 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period ended 30 September 2016.

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 Corporate Governance Code (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 period ended 30 September 2016, except:

- (i) 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.

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 2016.

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 three executive Directors, namely Mr. Xie Xuan (Chairman), Mr. Qiu Yue and Dr. Feng Ke and three independent non-executive Directors namely Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi. They are professionals in different areas and provide independent opinions based on their expertise.

Internal Control

On an annual basis 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 Dr. Wang Yi (Chairman of the Committee), Mr. Wu Jixue and Mr. Zheng Hongliang, 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 quarterly report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 10 November 2016