

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)

Interim Report 2013

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. Chu Yat Hong (Chairman), Mr. Xiao Jing, Xie Xuan 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 CONDENSED CONSOLIDATED RESULTS

The board of directors (the “Board”) of Asian Capital Resources (Holdings) Limited (the “Company”) present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 June 2013 together with the comparative figures for the corresponding periods in 2012 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	2	52,909	1,459	66,482	2,941
Cost of services		(45,285)	(394)	(60,153)	(780)
Gross profit		7,624	1,065	6,329	2,161
Other revenue		-	-	-	-
Interest income		-	-	-	-
Staff costs		(567)	(314)	(974)	(761)
Operating lease rentals		(64)	(62)	(128)	(126)
Other operating expenses		(3,814)	(1,000)	(4,959)	(1,399)
Depreciation and amortization		(2,585)	(2,893)	(5,009)	(5,789)
Earning/(Loss) from operating activities		594	(3,204)	(4,741)	(5,914)
Finance costs		(225)	(280)	(544)	(562)
Income/(Loss) before taxation		369	(3,484)	(5,285)	(6,476)
Taxation	3	(602)	(87)	(602)	(176)
Loss for the period		(233)	(3,571)	(5,887)	(6,652)
Attributable to:					
Equity holders of the Company		(571)	(3,792)	(6,258)	(7,275)
Non controlling interest		338	221	371	623
		(233)	(3,571)	(5,887)	(6,652)
Loss per share					
— Basic	4	(0.04 cents)	(0.35 cents)	(0.43 cents)	(0.67 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2013 <i>HK\$'000</i>	Audited As at 31 December 2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		371	360
Intangible Assets		20,340	24,860
		-----	-----
		20,711	25,220
		-----	-----
Current assets			
Trade and other receivables	5	16,053	15,833
Cash and bank balances		56,088	46
		-----	-----
		72,141	15,879
		-----	-----
Current liabilities			
Trade and other payables	6	(35,856)	(40,049)
Amount due to a director		(5,813)	-
Amount due to immediate holding company	7	(24,537)	-
Tax payable		(1,829)	(1,249)
		-----	-----
		(68,035)	(41,298)
		-----	-----
Net current assets/(liabilities)		4,106	(25,419)
		-----	-----
Total assets less current liabilities		24,817	(199)
		-----	-----

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2013	2012
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Amount due to a director		–	(5,813)
Amount due to immediate holding company	7	–	(25,859)
Deferred Tax Liabilities		(6,215)	(6,215)
		-----	-----
		(6,215)	(37,887)
		-----	-----
Net (liabilities)/assets		18,602	(38,086)
		-----	-----
Capital and reserves			
Share capital		148,552	138,552
Reserves		(137,179)	(183,496)
(Deficit)/Equity attributable to shareholders of the Company		11,373	(44,944)
Minority interests		7,229	6,858
		-----	-----
Total (deficit)/equity		18,602	(38,086)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June 2013 and the six months ended 30 June 2012:

	Attributable to equity holders of the Company								Non Controlling Interest	Total
	Issued Share Capital	Share Premium	Capital Reserve	Placing Expenses	Translation Reserve	Convertible Note Reserve	Accumulated Loss	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2012	108,269	135,790	26,020	-	(1,182)	9,158	(377,229)	(99,174)	11,948	(87,226)
Movement of the period	-	-	-	-	-	-	(7,275)	(7,275)	623	(6,652)
As at 30 June 2012	108,269	135,790	26,020	-	(1,182)	9,158	(384,504)	(106,449)	12,571	(93,878)
As at 1 January 2013	138,552	182,721	26,020	-	(1,321)	-	(390,916)	(44,944)	6,858	(38,086)
Movement of the period	10,000	55,000	-	(2,425)	-	-	(6,258)	56,317	371	56,688
As at 30 June 2013	148,552	237,721	26,020	(2,425)	(1,321)	-	(397,174)	11,373	7,229	18,602

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash (outflow) from operating activities	(5,211)	(1,468)
Net cash inflow/(outflow) from investing activities	—	—
Net cash (outflow) before financing activities	(5,211)	(1,468)
Net cash inflow from financing activities	61,253	1,582
Increase/(Decrease) in cash and cash equivalents	56,042	114
Cash and cash equivalents at 1 January	46	655
Effect of foreign exchange rate changes	—	—
Cash and cash equivalents at 30 June	56,088	769
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	56,088	769

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles general accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2012.

2. TURNOVER

The Group’s turnover represents the service income from the provision of internet protocol television related services; and excludes intra-Group transactions as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$’000	2012 HK\$’000	2013 HK\$’000	2012 HK\$’000
Income from Internet protocol Television (“IPTV”) related services	52,909	1,459	66,482	2,941
Total turnover	52,909	1,459	66,482	2,941

(a) **Business segments**

	IPTV		Others		Total	
	Related Services		2013	2012	2013	2012
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	66,482	2,941	–	–	66,482	2,941
RESULT						
Segment results	2,059	1,827	–	–	2,059	1,827
Interest income					–	–
Unallocated expenses					(6,800)	(7,741)
Loss from operating activities					(4,741)	(5,914)
Finance costs					(544)	(562)
Loss before taxation					(5,285)	(6,476)
Taxation					(602)	(176)
Loss for the period					(5,887)	(6,652)
Depreciation and amortization	(489)	369	(4,520)	5,420	(5,009)	5,789

(b) **Geographical segments**

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Turnover		
Hong Kong	–	–
The PRC	66,482	2,941
	66,482	2,941

3. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong profits tax	–	–	–	–
PRC income tax	(602)	(87)	(602)	(176)
	(602)	(87)	(602)	(176)

No Hong Kong profits tax has been provided for the six months ended 30 June 2013 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 six months ended 30 June 2013 is based on the net loss from ordinary activities attributable to equity holders of the HK\$6,258,000 (2012: HK\$7,275,000) and the weighted average number of ordinary shares of approximately 1,462,821,659 (2012: 1,082,687,275) during the periods.

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>
Trade receivables	–	–
Prepayments, deposits and other receivables	16,053	15,833
	16,053	15,833

6. TRADE AND OTHER PAYABLES

	As at 30 June 2013 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>
Trade payables	–	–
Accruals and other payables	35,856	40,049
	35,856	40,049

7. FINANCE COSTS

The finance costs represent the interest on amount due to the Company's immediate holding company, which bears interest at 5% per annum.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the six months ended 30 June 2013 was approximately HK\$66,482,000 (2012: HK\$2,941,000) which was increased by approximately 22 times as compared to that of the previous financial year. Increase in income was because of the management services provided by the Group.

The unaudited consolidated loss from operations for the six months ended 30 June 2013 was approximately HK\$4,741,000, which decreased as compared with the corresponding period last year, HK\$5,914,000. The decrease in loss for the period was mainly attributable to the reduction in the provision made for amortisation on the intangible assets of the Group and the increase in income.

The Board has adopted a prudent approach and determined that amortisation on the intangible assets provision should be made. The amount amortised was approximately HK\$4,520,000.

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"). The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

The Group's gross profit margin is decreased from approximately 73% for the six months ended 30 June 2012 to approximately 9% for the current period.

Financial cost

The financial cost of the Group for the six months ended 30 June 2013 was approximately HK\$544,000 (2012: HK\$562,000) which was decreased by approximately 3.2% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2013, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK\$24,537,000. The Group had a cash balance of approximately HK\$56,088,000.

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 six months ended 30 June 2013 was HK\$148,551,898(2012: HK\$108,268,799).

Gearing Ratio

As at 30 June 2013, the gearing ratio of the Group was 39.11% (2012: 391.84%).

Employee and remuneration policies

As at 30 June 2013, the Group employed a total of 16 employees (as at 30 June 2012: 17), of which 4 were located in Hong Kong and the remaining 12 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 under review, the Group was focusing its effort in its management services while enhancing a successful corporate synergy with its strategic partners. Both the Board and the management believe that the company has sufficient resources and knowledge to provide management services which our partners and clients will achieve a greater level of performance. Via the revenue generated by the services provided and other assets from the group it has sufficient cashflow generated to operate its business as a going concern. The Company does not have any financial difficulties to an extent that may seriously impair the Company's ability to continue its business.

The Board, looking forward, views that by concentrating on providing management services it will enhance the company's incremental business and the future value of the company.

Management Services and Information Technology Division

During the period under review the Board and the management have carefully assessed the market situation of the PRC IPTV industry. The findings shows that the market is still a growing market. This view is supported by the large investments by the major competitors that have recently entered into the industry. They range from major telecommunication giants of China Telecom, China Unicom and China Mobile to major Information Technology firms such as Alibaba and Baidu. The telecommunication giants are currently leveraging their traditional broadband services subscribers to convert into IPTV subscribers. While Alibaba has just made advances on developing a new operating system for smart TVs and Baidu acquired an online video provider PPS for \$370 million in May.

The Company has just been re-approached by the counter party that signed a MOU with in May 2012 (a company that principally engaged in the civilian satellite applications business) to discuss IT business collaborations. It is currently in the preliminary stage of discussion and there are no certainty that there would be any business transactions between the two parties going forward.

In the current market conditions with the number of major competitors increasing, the Board and management have decided to operate carefully and also implemented a strategy of diversifying the sectors in which the Company offered our management services to.

Currently the Company has been equipped with senior management level professionals with extensive experiences and track record in real estate sector. Mr. Xie Xuan has over 20 years of successful investment and management experience in the areas of property in the PRC. He held the post of Deputy General Manager for a real estate property investment company over the years. And Mr. Xiao Jing has also served as the Executive Director of real estate investment company. Both individuals has extensive experience in the development and management of major real estate properties in PRC. While Dr. Feng Ke is currently the department head and researcher of Real Estates Finance Research Center, of the Beijing University Economics Faculty. The Company has greatly positioned itself to provide more management services with a greater emphasis on the real estate sector as well as any other sectors with synergies deriving from the management services provided.

Mr. Xie is scheduled to move back into the role of Chairman. While Mr. Xiao is scheduled to take up the role of CEO of the Company. In addition, Dr. Feng Ke will take on more advisory duties. As for myself, Chu Yat Hong, I will take on more strategic planning duties and to continue the position of an Executive Director. The change in positions will be transitioned by the end of August 2013.

With this strategy the Board and Management believes it is in a good position to achieve a higher level of performance while in the current market conditions.

Financial Services

The Group's Financial Consultancy division is now concentrating its efforts on the aforementioned business management services. In addition, apart from the aforementioned operations, the Group continues to research, develop and explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of the Company's shareholders.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Deregistration and Winding-Up of various Subsidiaries in the Group

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

Those subsidiaries which are currently in the deregistration process is: Sinobase Asia Limited.

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Nil

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Nil

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, 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 June 2013
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
<i>Directors</i>						
Mr. Chu Yat Hong	-	-	546,964,782 <i>(Note 1)</i>	-	546,964,782	36.82%
Mr. Xie Xuan	-	-	546,964,782 <i>(Note 2)</i>	-	546,964,782	36.82%
Mr. Qiu Yue	15,430,000	-	18,620,436 <i>(Note 3)</i>	-	34,050,436	2.29%
	15,430,000	-	565,585,218	-	581,015,218	39.11%

Note 1: The controlled corporation is Glamour House Limited, which is 90% beneficially owned by Mr. Chu Yat Hong.

Note 2: 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 3: 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 June 2013, 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 June 2013, 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 June 2013
Glamour House Limited	Interest of a controlled corporation (<i>Note 1</i>)	546,964,782	36.82%
Asian Dynamics International Limited	Beneficial owner	546,846,132	36.81%
Logic Ease Group Limited	Beneficial owner	86,500,000	5.82%
Blue Balloon Limited	Beneficial owner	86,500,000	5.82%
Sweetly Limited	Beneficial owner	86,500,000	5.82%

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 June 2013, 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 June 2013 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 June 2013.

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (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 June 2013, 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 June 2013.

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 eight Directors, with four executive Directors, namely Mr. Chu Yat Hong (Chairman), Mr. Xie Xuan (Chief Executive), Mr. Qiu Yue and Mr. Xiao Jing; 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. 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 Mr. Zhang Daorong (Chairman of the Committee), 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 Interim report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board
Chu Yat Hong
Chairman

Hong Kong, 12 August 2013