

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 2018

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, Dr. Feng Ke, Mr. Huang Haitao and Mr. Liao Haifei; 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 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
CONTINUING OPERATION					
Turnover	2	8,311	3,455	21,352	9,575
Cost of services		(7,915)	(992)	(18,482)	(1,131)
Gross profit		396	2,463	2,870	8,444
Other revenue		102	55	213	165
Interest income		–	3	–	30
Staff costs		(1,651)	(894)	(6,001)	(2,569)
Operating lease rentals		(875)	(325)	(1,644)	(979)
Other operating expenses		(1,643)	(948)	(3,850)	(3,944)
Depreciation and amortization		(156)	(101)	(481)	(350)
Profit/(Loss) from operating activities		(3,827)	253	(8,893)	797
Finance costs		(282)	(269)	(682)	(788)
Profit/(Loss) before taxation		(4,109)	(16)	(9,575)	9
Taxation	3	(15)	–	(63)	–
Attributable to:					
Equity holders of the Company		(4,124)	(6)	(9,638)	35
Non controlling interest		–	(10)	–	(26)
		(4,124)	(16)	(9,638)	9
Earning/(Loss) per share					
– Basic	4	(0.23 cents)	(0.0003 cents)	(0.55 cents)	0.002 cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2018

	Attributable to equity holders of the Company							Total HK\$'000
	Issued Share Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Translation Reserve HK\$'000	Accumulated Loss HK\$'000	Total HK\$'000	Non Controlling interest HK\$'000	
As at 1 January 2017	176,183	304,371	26,020	(3,722)	(416,038)	86,814	(15,670)	71,144
Movement of the period	-	-	-	-	35	35	(26)	9
As at 30 September 2017	176,183	304,371	26,020	(3,722)	(416,003)	86,849	(15,696)	71,153
As at 1 January 2018	176,183	304,371	26,020	(4,613)	(472,744)	29,217	(1)	29,216
Movement of the period	-	-	-	-	(9,638)	(9,638)	-	(9,638)
As at 30 September 2018	176,183	304,371	26,020	(4,613)	(482,382)	19,579	(1)	19,578

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 2017.

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 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Management and Consultancy Fee	8,311	3,455	21,352	9,575
Total turnover	8,311	3,455	21,352	9,575

3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong Tax	–	–	–	–
PRC Tax	15	–	63	–
	15	–	63	–

No Hong Kong profits tax has been provided for the nine months ended 30 September 2018 as the Group has no assessable profit in Hong Kong for the period.

4. EARNINGS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2018 are based on the net loss from ordinary activities attributable to equity holders of the Company of approximately loss HK\$4,124,000, three months ended 30 September 2018 (2017: loss HK\$16,000) and loss of HK\$9,638,000, nine months ended 30 September 2018 (2017: profit HK\$9,000) and the weighted average number of ordinary shares of approximately 1,761,825,563 (2017: 1,761,825,563) during the periods.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2018 (2017: 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 2018 was approximately HK\$21,352,000 (2017: HK\$9,575,000) which had increased by approximately 1.2 times as compared to that of the previous financial year. Loss for of the Group for the nine months ended 30 September 2018 was approximately HK\$9,638,000. Increase in loss was due to the increase in staff cost and operational lease rental.

The unaudited consolidated loss from operations, before finance costs and tax, for the nine months ended 30 September 2018 was approximately HK\$8,893,000 as compared with the corresponding period last year profit of HK\$797,000. The increase in loss for the period was mainly attributable to the increase in Cost of Services plus an overall increase in the administration expenses.

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 2018 was approximately HK\$682,000 (2017: HK\$788,000) which had decreased by approximately 13.45% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the nine months ended 30 September 2018, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK\$25,216,000. The Group had a cash balance of approximately HK\$11,599,000.

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 2018 was HK\$176,182,556 (2017: HK\$176,182,556).

Gearing Ratio

As at 30 September 2018, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 80.54% (2017: 59.82%).

Employee and remuneration policies

As at 30 September 2018, the Group employed a total of 26 employees (as at 30 September 2017: 9), of which 4 were located in Hong Kong, 21 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 has been focused on actively consolidating, developing and expanding businesses in the capital management services for both onshore and offshore. The private equity services have been slowed due to the effects of the trade war while hindering the outbound direct investment of the private equity industry. 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.

In addition, the trade war has proven to hinder both the PRC domestic economy and the global economy as a whole. It has caused a challenging outlook for the ongoing Chinese and global economic growth, the Group will continue to exert rigorous control over its business operations and strategies, with aims to safeguard the shareholders' assets, and be prudent and risk averse.

The Board, looking forward, views that by concentrating on providing our services and expanding to different sectors will enhance the Company's incremental business and the future value of the Company.

In general, the Group concentrated on both the capital management services and private equity management services.

Capital Management Services

The capital management services of Group have continued to emerge and have been producing income at sustainable rate. This has been mainly attributable to the Group's capital management services covering a broader spectrum of industries. In addition, to the traditional media content and internet content production management, the Group has recently expanded into offering management services to the trade and logistics sectors as well. With the ongoing trade war present there is a view that a sector consolidation will occur in the trading and logistic sectors, hence as a result there will be a demand for the management services in the corresponding sectors. The Group is currently positioning itself to capture this opportunity in order to further expand and grow the capital management services.

In addition, on 9 August 2018 the Group announced the appointments of both Mr. Huang Haitao and Mr. Liao Haifei as Executive Directors of the Company. Their appointments to the board have enhanced the board with their years of experience in business development and execution in the real estate and logistic industries.

Private Equity Management Services

Due to the heightened tensions from the trade war with the US, Chinese entities have become more restricted in terms of accessing the US market, and it has further affected outbound investments to other foreign region as well. With the current macro-economic conditions being negatively impacted by the trade disputes, private equities outbound investment activities have drastically decreased. According to Bain & Company, outbound acquisitions from China stood at USD22 billion in the first six months of this year, less than half of the total a year earlier and sharply lower than the USD118.7 billion reached during the first half of 2016. Concerns about the US-China trade war hurting domestic profits and curbs on foreign investments imposed by the United States, Germany and Australia contributed to the decline. It remains to be seen to what extent the trade war between the US and China will materialize, and therefore together with the associated uncertainties, it will continue to affect outbound direct investments in 2018.

As a result, it has negatively affected the demand for our offshore private equity management services since it had mainly focused on outbound direct investments. The Group has continued to cautiously redirect our focus on the onshore private equity management services. The PRC onshore private equity market is a rapidly maturing industry, with it there are continued regulatory changes in the PRC private equity industry as the central government's efforts to crack down on financial risks and market malpractices. The Company has been concentrating on potential private equity portfolio that has a focus on the new economy while operating with further caution, in regards to adhering to the latest rules and regulations as well as applying greater emphasis on prudence and risk averse strategy while locating value investment opportunities.

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.

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.

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 2018, 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 2018
	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 2018, 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 2018, 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 2018
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 2018, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading “Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations” 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 2018 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 2018.

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 2018, 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 2018.

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 five executive Directors, namely Mr. Xie Xuan (Chairman), Mr. Qiu Yue, Dr. Feng Ke, Mr. Huang Haitao and Mr. Liao Haifei; 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, 12 November 2018