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ASIAN CAPITAL HOLDINGS LIMITED

卓亞資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8295)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) 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 the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- The Group achieved a total revenue for the Financial Year of HK\$40.00 million (2012: HK\$20.16 million), almost twice as much as that of 2012. Out of the overall revenue, corporate advisory income was approximately HK\$27.09 million (2012: HK\$15.58 million), a strong growth of 74% compared to last year. Revenue from placing and underwriting also achieved a marked increase, by 107% to HK\$4.35 million (2012: HK\$2.10 million) against a gross commitment of HK\$92.62 million (2012: HK\$95.15 million) as we took up lead positions in some fund raising deals. During the Financial Year, the Group realised a majority of its investment portfolio held as of 31 December 2012. Together with other trading gains, net unrealised loss (arising from the portfolio as at the 2013 year end) and brokerage income, securities dealing commission and investment income for the Financial Year soared by 2.44 times to HK\$8.56 million (2012: HK\$2.49 million).
- Operating expenses for the Financial Year were approximately HK\$30.00 million, an increase of 32% from the 2012 level of HK\$22.71 million.
- Accordingly, the Group recorded a total comprehensive income for the Financial Year of HK\$8.64 million, against the 2012 loss of HK\$1.62 million. Earnings per share for the Financial Year was HK0.60 cents (2012: loss per share of HK0.12 cents).
- Securities held at fair value as at 31 December 2013 stood at HK\$15.42 million (2012: HK\$26.88 million).
- As at 31 December 2013, total equity attributable to ordinary equity holders of the Company amounted to HK\$128.45 million (2012: HK\$117.55 million), which was 9% higher than that of 2012 as a result of increases in retained profits and share option reserve. The net assets value per share as at 31 December 2013 was HK8.92 cents (2012: HK8.16 cents).
- The Board does not recommend the payment of a dividend for the Financial Year (2012: Nil).

FINAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2013 (the “Financial Year”) together with comparative figures for 2012.

The financial information set out in this announcement below does not constitute the Group’s statutory accounts for the Financial Year, but represents an extract from those accounts. The financial information has been reviewed by the audit committee of the Company (the “Audit Committee”), approved by the Board and agreed by the Group’s external auditor, PricewaterhouseCoopers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

| | <i>Note</i> | 2013 HK\$’000 | 2012 <i>HK\$’000</i> |
|---|-------------|--------------------------------|-------------------------|
| REVENUE | 4 | 40,001 | 20,161 |
| Other income and gains | 4 | 923 | 970 |
| Operating expenses | | <u>(30,004)</u> | <u>(22,709)</u> |
| PROFIT/(LOSS) BEFORE TAX | 5 | 10,920 | (1,578) |
| Income tax expense | 6 | <u>(2,285)</u> | <u>(41)</u> |
| PROFIT/(LOSS) FOR THE YEAR | | 8,635 | (1,619) |
| Other comprehensive income | | <u>–</u> | <u>–</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | <u>8,635</u> | <u>(1,619)</u> |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 8 | | |
| Basic (<i>HK cents</i>) | | <u>0.60</u> | <u>(0.12)</u> |
| Diluted (<i>HK cents</i>) | | <u>0.60</u> | <u>(0.12)</u> |

The Board does not recommend the payment of a dividend for the Financial Year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

| | <i>Note</i> | 2013 HK\$'000 | 2012 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 724 | 941 |
| Intangible asset | | 866 | 866 |
| Deposits | | 100 | 100 |
| Total non-current assets | | 1,690 | 1,907 |
| CURRENT ASSETS | | | |
| Trade receivables | 9 | 9,066 | 1,260 |
| Prepayments, deposits and other receivables | | 2,395 | 7,258 |
| Investments at fair value through profit or loss | | 15,423 | 26,877 |
| Cash held on behalf of clients | | 6 | 41 |
| Cash and cash equivalents | | 113,739 | 85,085 |
| Total current assets | | 140,629 | 120,521 |
| CURRENT LIABILITIES | | | |
| Trade payables | 10 | 3,847 | 369 |
| Other payables and accruals | | 6,426 | 2,586 |
| Tax payable | | 3,149 | 1,928 |
| Deferred tax liabilities | | 451 | – |
| Total current liabilities | | 13,873 | 4,883 |
| NET CURRENT ASSETS | | 126,756 | 115,638 |
| Net assets | | 128,446 | 117,545 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 11 | 14,400 | 14,400 |
| Reserves | | 114,046 | 103,145 |
| Total equity | | 128,446 | 117,545 |
| Total assets | | 142,319 | 122,428 |
| Total equity and liabilities | | 142,319 | 122,428 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

| | | Attributable to owners of the Company | | | | | |
|---|-------|---------------------------------------|-----------------------------|------------------------|----------------------------|---------------------|----------------|
| | | Issued capital | Share premium account | Contributed surplus | Share option reserve | Retained profits | Total |
| | Note | HK\$'000 (note 11) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2012 | | 12,000 | 43,886 | 9,000 | 3,632 | 23,953 | 92,471 |
| Total comprehensive loss for the year | | - | - | - | - | (1,619) | (1,619) |
| Placing of new shares | 11(a) | 2,400 | 22,800 | - | - | - | 25,200 |
| Share placement expenses | 11(a) | - | (788) | - | - | - | (788) |
| Equity-settled share option arrangements | | - | - | - | 2,281 | - | 2,281 |
| At 31 December 2012 and 1 January 2013 | | 14,400 | 65,898 | 9,000 | 5,913 | 22,334 | 117,545 |
| Total comprehensive income for the year | | - | - | - | - | 8,635 | 8,635 |
| Equity-settled share option arrangements | | - | - | - | 2,266 | - | 2,266 |
| At 31 December 2013 | | 14,400 | 65,898 | 9,000 | 8,179 | 30,969 | 128,446 |

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments at fair value through profit or loss, which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars, which is also the Group’s functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the below revised HKFRSs for the first time for the current year’s financial statements.

Amendment to HKAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to HKFRS 7, ‘Financial instruments: Disclosures’, on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 10, ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

There are certain other revised HKFRSs but not considered relevant to the Group.

3. OPERATING SEGMENT INFORMATION

The Group’s principal businesses are in the provision of corporate advisory services and related activities, as well as investment activities. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, is focused on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented. The Board has been identified as the chief operating decision-maker, who is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

Geographical information

(a) Revenue from external customers

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Hong Kong | 38,608 | 20,148 |
| Mainland China | 1,393 | 13 |
| | <u>40,001</u> | <u>20,161</u> |

The revenue information above is based on the location of the customers.

(b) Non-current assets

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | <u>1,590</u> | <u>1,807</u> |

The non-current asset information is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue from each of the major customers amounting to 10% or more of the Group's revenue is set out below:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 4,924 | 1,001 |
| Customer B | 4,886 | – |
| Customer C | 3,167 | 2,526 |
| Customer D | – | 3,065 |
| | <u>–</u> | <u>–</u> |

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents corporate advisory income, placing and underwriting service income/commission and securities dealing commission and investment income during the year.

An analysis of revenue, other income and gains, net, is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | | |
| Corporate advisory income | 27,094 | 15,577 |
| Placing and underwriting service income/commission | 4,346 | 2,099 |
| Securities dealing commission and investment income (<i>note (a)</i>) | 8,561 | 2,485 |
| | <u>40,001</u> | <u>20,161</u> |
| Other income and gains | | |
| Interest income from bank balances | <u>923</u> | <u>970</u> |

Note:

- (a) Included in the securities dealing commission and investment income was a net fair value loss on investments at fair value through profit and loss of approximately HK\$1,015,000 (2012: HK\$1,704,000). The aggregate underlying fair value of the investments held as at 31 December 2013 was approximately HK\$15,423,000 (2012: HK\$26,877,000).

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------------------|-------------------|
| Depreciation | 326 | 427 |
| Minimum lease payments under operating leases on land and buildings | 2,741 | 2,662 |
| Auditor's remuneration | | |
| Audit fees | 600 | 580 |
| Non-audit fees | – | 180 |
| Professional fees* | 4,623 | 1,651 |
| Employee benefit expense (including Directors' remuneration): | | |
| Wages, salaries, allowances and bonuses | 14,692 | 10,426 |
| Equity-settled share option expense | 2,266 | 2,281 |
| Pension scheme contributions (defined contribution scheme) | 259 | 242 |
| | <u> </u> | <u> </u> |
| Realised gain on fair value through profit or loss and other investments** | (9,378) | (4,189) |
| Fair value loss on investments at fair value through profit or loss, net** | 1,015 | 1,704 |
| | <u> </u> | <u> </u> |

* The item refers to professional fees incurred directly attributable to the Group's services provided.

** These items are included in "Securities dealing commission and investment income" (note 4).

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------------------|-------------------|
| Group: | | |
| Current tax | | |
| Provision for the year | 1,688 | 6 |
| Adjustments in respect of prior years | 146 | 35 |
| | <u> </u> | <u> </u> |
| Total current tax | 1,834 | 41 |
| | <u> </u> | <u> </u> |
| Deferred tax | | |
| Origination and reversals of temporary differences | 451 | – |
| | <u> </u> | <u> </u> |
| Total deferred tax | 451 | – |
| | <u> </u> | <u> </u> |
| Income tax expenses | 2,285 | 41 |
| | <u> </u> | <u> </u> |

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate in which the Group is domiciled to the tax expense at the effective tax rate is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit/(loss) before tax | 10,920 | (1,578) |
| Tax at the statutory tax rate | 1,801 | (260) |
| Adjustments in respect of current tax of previous periods | 146 | 35 |
| Income not subject to tax | (183) | (160) |
| Expenses not deductible for tax | 521 | 467 |
| Tax losses utilised from previous periods | – | (17) |
| Others | – | (24) |
| Tax charge at the Group's effective rate | 2,285 | 41 |

There was no significant unprovided deferred tax in respect of the year and at the end of each reporting period.

7. DIVIDENDS

The Board does not recommend payment of a dividend for the year ended 31 December 2013 (2012: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of 1,440,000,000 shares in issue for the year ended 31 December 2013 (2012: 1,389,152,542 shares).

No adjustment was made to the basic earnings/(loss) per share presented for the years ended 31 December 2013 and 2012 as the share options had anti-dilutive effect on the basic earnings/(loss) per share.

9. TRADE RECEIVABLES

| | Group | |
|--|--------------------------------|-------------------------|
| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| Trade receivables | 9,091 | 1,260 |
| Less: impairment loss on trade receivables | (25) | – |
| Trade receivables – net | 9,066 | 1,260 |

The Group's normal trading term with its customers is that payment is due upon the issuance of invoices. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables arising from the provision of corporate advisory, placing and underwriting services are non-interest-bearing. The receivables from brokers arising from securities dealing by the Group's clients are interest-bearing at the prevailing savings rate offered by banks in Hong Kong and are repayable on demand. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the trade receivables which are not considered to be individually or collectively impaired as at the end of the reporting period, based on the invoice dates and net of provisions, is as follows:

| | Group | |
|----------------------------------|---------------------|-----------------|
| | 2013 | 2012 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current to 30 days | 844 | 661 |
| 31 to 60 days | 527 | 329 |
| 61 to 90 days | 158 | 211 |
| Over 90 days (<i>note (a)</i>) | 7,537 | 59 |
| | <u>9,066</u> | <u>1,260</u> |

Notes:

- (a) The majority of the sum represents an advisory service fee relating to a distressed asset recovery assignment that was concluded in the first quarter of 2013 (the “Asset Recovery Assignment”); the debtor being a company under compulsory liquidation which has sufficient cash retained to cover the aforementioned advisory fee. As of the date of this announcement, such fee has been lodged by the liquidator with the High Court Registry and passed through the taxation process pursuant to the Companies (Winding-up) Rules.
- (b) All of the above receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group, or have subsequently settled the amounts due to the Group. The Directors are of the opinion that, other than the impairment that has already been made, no provision for impairment is necessary in respect of these receivables as the balances have either been recovered or are still considered fully recoverable.

The invoice dates of the above trade receivables are generally the same as the corresponding due dates.

10. TRADE PAYABLES

Included in trade payables are clients monies of HK\$6,000 (2012: HK\$41,000) which are segregated in the trust accounts.

Except for the professional fees incurred for the Asset Recovery Assignment which will become due and payable upon receipt of the relevant advisory fee revenue by the Group, trade payables are non-interest-bearing and repayable on demand (2012: repayable on demand).

Trade payables excluding clients monies as at the end of the reporting period, based on the settlement due date, are all due within 30 days (2012: due within 30 days).

11. SHARE CAPITAL

| | <i>Note</i> | Number of shares | Nominal value HK\$ |
|---|-------------|-----------------------------|-----------------------------------|
| Ordinary shares of HK\$0.01 per share | | | |
| Authorised: | | | |
| As at 31 December 2012, 1 January 2013 and 31 December 2013 | | <u>10,000,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid: | | | |
| As at 1 January 2012 | | 1,200,000,000 | 12,000,000 |
| Placing of shares | (a) | <u>240,000,000</u> | <u>2,400,000</u> |
| As at 31 December 2012, 1 January 2013 and 31 December 2013 | | <u>1,440,000,000</u> | <u>14,400,000</u> |

Note:

- (a) 240,000,000 new shares were placed to not less than six independent placees at a placing price of HK\$0.105 per share. The net proceeds from the placing amounting to approximately HK\$24 million have been used by the Group for general working capital and business development purposes.

12. EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2013 and up to the date of approval of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Markets around the globe that impact Hong Kong generally had a good year in 2013, reflecting, in the United States (the “US”), hopes for a continuation of stimulus measures by the Federal Reserve and improving economic outlook, and in Europe, better corporate earnings and European Central Bank’s commitment to loose monetary policies. The Japanese stock market rose most against the new cabinet’s stimulus plans and weaker Yen.

With the Mainland’s Shanghai Composite Index drop given worries about slower economic growth and tighter liquidity, Hong Kong’s Hang Seng Index just managed to rise by 3% in 2013. Hong Kong’s initial public offerings (“IPO(s)”) market nevertheless picked up markedly in the final months of 2013 after a quiet first half, with the number of deals and funds raised in 2013 both went up compared to 2012, reflecting growing appetite of investors and overall positive market sentiment in Hong Kong’s capital markets. Funds raised from IPOs in Hong Kong ranked second in the world in 2013.

In 2013, the Group redirected its resources to developing its core businesses following its decision in 2012 to postpone its plan for the proposed transfer of listing of the Company from the Growth Enterprise Market (“GEM”) to the Main Board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This has proven to be rewarding as we have made remarkable achievements with impressive financial results from all sectors during the Financial Year.

Four corporate resumption engagements achieved resumption during 2013, including the reverse takeover in the case of Warderly International Holdings Limited (stock code: 607). In the case of Richly Field China Development Limited (stock code: 313), we took up new shares in lieu of fees which, in the event, generated a handsome fair value gain at the Financial Year end. Through our wholly-owned subsidiary, Asian Capital (Corporate Finance) Limited (“Asian Capital”) acting as sponsors and bookrunners, we successfully completed two IPO engagements in 2013. In the case of the IPO for Hong Kong Finance Group Limited (stock code: 1273), Phillip Securities (Hong Kong) Limited (“Phillip Securities”) through its network, played a pivotal role contributing to our successful equity capital market operations.

During the Financial Year, the Group generated income from a diversified portfolio of corporate finance advisory engagements, including acting as financial adviser in open offers, mergers and acquisitions (“M&As”) assignments, acting as retained adviser and compliance adviser for companies listed on the Main Board and GEM of the Stock Exchange, acting as independent financial adviser in connected transactions and continuing connected transactions for H shares companies, and advising an offeree company in a voluntary cash offer. In addition, the Asset Recovery Assignment that was concluded in the first quarter of 2013 also contributed some significant revenue.

Thanks to the placing proceeds of approximately HK\$24 million that were raised in March 2012 which strengthened the Group’s working capital, we took part in four underwritings and placements in 2013, including Asian Capital’s bookrunning in the two IPOs. The gross value of funds raised in those transactions amounted to some HK\$333 million.

Investments in securities made by the Group also performed well. The Group has adopted the policy of taking up strategic investments mainly in listed companies that we take on underwriting/placing commitments. Approximately 60% of the investments that we held as of 31 December 2012 were successfully realised during the Financial Year at a respectable profit. Asian Capital's IPO assignments also gave opportunities for the Group to serve investor clients and contributed to securities dealing commissions.

Financial Review

Results of the Group

The Group achieved a total revenue for the Financial Year of approximately HK\$40.00 million (2012: approximately HK\$20.16 million), almost twice as much as that of 2012. Out of the overall revenue, corporate advisory income was approximately HK\$27.09 million (2012: approximately HK\$15.58 million), a strong growth of approximately 73.87% compared to last year. Revenue from placing and underwriting also achieved a marked increase, by approximately 107.14% to approximately HK\$4.35 million (2012: approximately HK\$2.10 million) against a gross commitment of approximately HK\$92.62 million (2012: approximately HK\$95.15 million) as we took up lead positions in some fund raising deals. During the Financial Year, the Group realised a majority of its investment portfolio held as of 31 December 2012. Together with other trading gains, net unrealised loss (arising from the portfolio as at the 2013 year end) and brokerage income, securities dealing commission and investment income for the Financial Year soared by approximately 2.44 times to approximately HK\$8.56 million (2012: approximately HK\$2.49 million). Securities held at fair value as at 31 December 2013 stood at approximately HK\$15.42 million (2012: approximately HK\$26.88 million).

Operating expenses for the Financial Year were approximately HK\$30.00 million, an increase of approximately 32.10% from the 2012 level of approximately HK\$22.71 million. This increase was mainly caused by increases in (i) staff costs due to higher bonus provisioning and general salary increments (increased by approximately HK\$4.36 million); and (ii) fees relating to engagement of various professional services (increased by approximately HK\$2.97 million).

Accordingly, the Group recorded a total comprehensive income for the Financial Year of approximately HK\$8.64 million, against the 2012 loss of approximately HK\$1.62 million. Earnings per share for the Financial Year was approximately HK0.60 cents (2012: loss per share of approximately HK0.12 cents).

The Group's trade receivables as at 31 December 2013 amounted to approximately HK\$9.07 million (2012: approximately HK\$1.26 million), about 6.20 times higher than that of 2012, with the increase mainly attributable to the advisory fee income in respect of the Asset Recovery Assignment for services provided to the liquidator of a company under compulsory liquidation. The aforesaid advisory fee has gone through taxation by the High Court of Hong Kong and the sum is expected to come through the liquidation account shortly. Prepayments, deposits and other receivables came down to approximately HK\$2.40 million (2012: approximately HK\$7.26 million), as the Group's investment in financial asset ran off at the beginning of 2013. The Group's trade payable was approximately HK\$3.85 million (2012: approximately HK\$0.37 million), inflated mainly by the professional fees incurred for the Asset Recovery Assignment which will become due and payable upon receipt of the relevant advisory fee income by the Group.

Liquidity and financial resources

The Group continued to adopt a prudent financial management strategy and maintained a healthy liquidity position throughout 2013. The Group had cash and cash equivalents of approximately HK\$113.74 million as at 31 December 2013 (2012: approximately HK\$85.09 million). The increase compared to the 2012 year end arose primarily due to the divestments made in 2013, as well as profits for the year realised and retained. As at 31 December 2013, the Group had net current assets of approximately HK\$126.76 million (2012: approximately HK\$115.64 million), and the current ratio was approximately 10.14 (2012: approximately 24.68).

The Group's operations and investments were financed principally by revenues generated from business operations and available bank balances. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was nil as at 31 December 2013 (2012: Nil). Funds are largely placed with financial institutions with maturities timed to cover any known capital, investment or underwriting commitments.

The net assets value of the Group as at 31 December 2013 stood at approximately HK\$128.45 million (2012: approximately HK\$117.55 million), which was approximately 9.27% higher than that of 2012 as a result of increases in retained profits and share option reserve. The net assets value per share as at 31 December 2013 was approximately HK8.92 cents (2012: approximately HK8.16 cents).

During the Financial Year, the Group had minimal exposure to foreign currency risks, as most of the business transactions, assets and liabilities were denominated in Hong Kong dollars. The Group will continue to monitor its foreign currency exposure closely and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

Capital structure

There has been no change in the capital structure of the Company during the Financial Year. The capital of the Company comprises only ordinary shares. Total equity attributable to ordinary equity holders of the Company amounted to approximately HK\$128.45 million as at 31 December 2013 (2012: approximately HK\$117.55 million).

Future plans for material investments or capital assets

The Group had no plans for material investments or acquisitions of capital assets as at 31 December 2013, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of its business.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the Financial Year.

Dividend

The Board does not recommend the payment of a dividend for the Financial Year (2012: Nil).

Outlook

The appointment of Janet Yellen as the head of the US Federal Reserve had given the market expectations that she would stick to the pre-existing tapering policy. Recent economic indexes have been disappointing; already the financial market has experienced a fairly substantial correction in January 2014, with funds withdrawing from some developing countries. Volatilities continued well into February.

Meanwhile, the euro-zone economy is expected to continue to recover as it emerges from the recessions and crises of recent years. Considerable financial, economic and political challenges remain to be tackled by policymakers but reduction in the severity of fiscal austerity that has taken place will likely contribute towards a modest recovery.

Growth momentum in China supported by infrastructure projects, housing constructions and exports stabilized in the latter half of 2013. Yet many believe that China's growth is on a structural downward trend, with recent purchasing managers' index coming low, the market seems to have reached a consensus that the Chinese government will lower China's growth target from 7.5% in 2013 to around 7.0% in 2014. Shadow banking remains a continuing threat to China's economic stability.

China has ended a 13 months moratorium on IPOs and China Securities Regulatory Commission introduced relaxed criteria, simplified examination and approval procedures for overseas shares issuance and listing of Chinese companies. Hong Kong's capital market, which has its own attractions, is expected to be driven by a larger number of sizeable deals, including large IPOs from spin-off of locally listed companies in 2014. IPOs in Hong Kong remain active in the first two months of 2014.

Building on the two successful IPO listings that Asian Capital acted as sponsor and bookrunner in 2013, the Group will continue to pursue for more, engaging the support from Phillip Securities and other strategic partners to assist clients for listing and fund raising. The Group will also seek to capture new business opportunities to generate revenue from multiple sources of corporate advisory, M&As, fund raising and asset recovery assignments along with the three existing corporate resumption engagements (one of which involves a reverse takeover) and other corporate advisory mandates on hand. We have reviewed our strategies during the Financial Year and will actively seek and develop new strategic partnerships that can offer us more opportunities to scale up our fee generating capabilities.

The Group's cash position is at an unprecedentedly high level following the divestments made in 2013. With our strong liquidity position, the Group will continue to identify suitable underwriting, placing and other investment opportunities to diversify its income source, and enhance its profitability to promote long term growth and prosperity of the businesses of the Group. We are however acutely mindful of the market volatilities that the US tapering, slower China growth and political development in Eastern Europe could lead to.

The Group's investment portfolio as at 31 December 2013 amounted to approximately HK\$15.42 million. Investments however are by their nature subject to market risks and may impact the Group's profitability from time to time.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries to all the Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2013. No incident of non-compliance was noted by the Company during this period.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2013, with the exception of one deviation: that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. YEUNG Kai Cheung Patrick is the executive chairman and the chief executive officer of the Company (the “CEO”). The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung to assume both roles as the executive chairman and CEO of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group’s continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles. With their strong business and governance experience, the Directors do not expect any issues of concern would arise due to the combined role of Mr. Yeung. The Group also has in place an effective internal control system, including the engagement of a professional accounting firm to conduct internal audit, to perform check and balance functions.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the Financial Year.

REVIEW OF RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2013.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

By Order of the Board
Asian Capital Holdings Limited
YEUNG Kai Cheung, Patrick
Executive Chairman

Hong Kong, 4 March 2014

As at the date of this announcement, the Board comprises Mr. YEUNG Kai Cheung Patrick (executive chairman) and Mr. CHAN Hok Leung being executive Directors; Mr. XIN Luo Lin (honorary chairman) being non-executive Director; and Mr. CHAN Kai Nang, Mr. TSUI Pui Yan and Mr. YI Xiqun, being independent non-executive Directors.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.asiancapital.com.hk.