

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.

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This report, 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 report 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 report misleading.

HIGHLIGHTS

- The Company's shares were successfully listed on the GEM of the Stock Exchange on 18 June 2010.
- The Group's turnover for the nine months ended 30 September 2010 was approximately HK\$16.88 million (2009: approximately HK\$46.84 million), representing a decrease of approximately 63.96% from that of 2009, as the Group no longer benefited from the exceptionally high revenue arising from Wide Gain Investment Limited for approximately HK\$32.29 million in the corresponding period.
- Loss attributable to equity holders of the Company narrowed down to approximately HK\$1.61 million for the nine months ended 30 September 2010. This loss arose primarily because of the effects of the Listing expenses charged to the consolidated income statement, higher provisions for salaries, allowances and bonuses including fair value provision for staff's pre-IPO share options, as well as audit fees compared to the corresponding period of 2009. Loss per share was approximately HK0.16 cents.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010.

REPORT ON REVIEW OF THE THIRD QUARTERLY FINANCIAL INFORMATION



18th Floor
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To the board of directors of
Asian Capital Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the third quarterly financial information set out on pages 4 to 15 which comprises the condensed consolidated statement of financial position of Asian Capital Holdings Limited as at 30 September 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months and nine months periods then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on third quarterly financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this third quarterly financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this third quarterly financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of third quarterly financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the third quarterly financial information is not prepared, in all material aspects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
12 November 2010

The board (the “Board”) of directors (the “Directors”) of Asian Capital Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2010 together with comparative unaudited figures for the corresponding periods ended 30 September 2009, as follows.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2010

		Three months ended 30 September		Nine months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	Notes				
Revenue	3	<u>7,441</u>	<u>6,097</u>	<u>16,878</u>	<u>46,839</u>
Other income and gains	3	260	407	299	550
Operating expenses		<u>(5,949)</u>	<u>(4,810)</u>	<u>(18,292)</u>	<u>(11,892)</u>
Profit/(Loss) before tax	5	1,752	1,694	(1,115)	35,497
Income tax expense	6	<u>(263)</u>	<u>(296)</u>	<u>(497)</u>	<u>(718)</u>
Profit/(Loss) attributable to equity holders of the Company		<u>1,489</u>	<u>1,398</u>	<u>(1,612)</u>	<u>34,779</u>
Earnings/(Losses) per share attributable to equity holders of the Company	8				
– Basic (HK cents)		<u>0.12</u>	<u>0.16</u>	<u>(0.16)</u>	<u>3.86</u>
– Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2010

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit/(Loss) for the period	1,489	1,398	(1,612)	34,779
Other comprehensive income/(loss) for the period				
Change in fair value of available-for-sale investment	<u>12</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
Total comprehensive income/(loss) for the period	<u>1,501</u>	<u>1,398</u>	<u>(1,643)</u>	<u>34,779</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	<i>Notes</i>	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Non-current assets			
Plant and equipment	9	517	667
Intangible assets		938	938
Deposits		100	100
Available-for-sale investment		2,469	–
		<hr/>	<hr/>
Total non-current assets		4,024	1,705
		<hr/>	<hr/>
Current assets			
Trade receivables	10	2,653	3,275
Prepayments, deposits and other receivables		1,843	1,080
Cash held on behalf of clients	11	101	–
Cash and cash equivalents		64,672	41,475
		<hr/>	<hr/>
Total current assets		69,269	45,830
		<hr/>	<hr/>
Current liabilities			
Trade payables	12	101	687
Other payables and accruals		4,351	3,709
Tax payable		660	290
		<hr/>	<hr/>
Total current liabilities		5,112	4,686
		<hr/>	<hr/>
Net current assets		64,157	41,144
		<hr/>	<hr/>
Net assets		68,181	42,849
		<hr/>	<hr/>
Equity			
Equity attributable to equity holders of the Company			
Issued capital	13	12,000	–
Reserves		56,181	42,849
		<hr/>	<hr/>
Total equity		68,181	42,849
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

	Attributable to equity holders of the Company								
	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Available-for-sale investment reserve <i>HK\$'000</i>	Retained profits/(accumulated loss) <i>HK\$'000</i>	Proposed dividend <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	-	141	10,000	-	348	-	32,360	-	42,849
Total comprehensive loss for the period	-	-	-	-	-	(31)	(1,612)	-	(1,643)
Reorganisation	1,000	-	(1,000)	-	-	-	-	-	-
Capitalisation issue	8,000	(8,000)	-	-	-	-	-	-	-
Placing of shares	3,000	57,000	-	-	-	-	-	-	60,000
Share placement expenses	-	(5,255)	-	-	-	-	-	-	(5,255)
Equity-settled share option arrangement	-	-	-	1,230	-	-	-	-	1,230
Transfer to retained profits	-	-	-	-	(348)	-	348	-	-
Interim 2010 dividend	-	-	-	-	-	-	(29,000)	-	(29,000)
At 30 September 2010 (Unaudited)	12,000	43,886	9,000	1,230	-	(31)	2,096	-	68,181
At 1 January 2009	-	141	10,000	-	348	-	(152)	3,800	14,137
Total comprehensive income for the period	-	-	-	-	-	-	34,779	-	34,779
Final 2008 dividend	-	-	-	-	-	-	-	(3,800)	(3,800)
At 30 September 2009 (unaudited)	-	141	10,000	-	348	-	34,627	-	45,116

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010

	Nine months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(32)	38,711
Net cash outflow from investing activities	(2,516)	(707)
Net cash inflow/(outflow) from financing activities	25,745	(3,800)
Net increase in cash and cash equivalents	23,197	34,204
Cash and cash equivalent at beginning of period	41,475	11,874
Cash and cash equivalents at end of period	64,672	46,078

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 June 2010.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the provision of corporate advisory services and related activities.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated third quarterly financial statements for the nine months ended 30 September 2010 (the "Third Quarterly Financial Statements") have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies and methods of computation used in the preparation of the Third Quarterly Financial Statements are consistent with those used in the Group accountants' report included in the prospectus of the Company dated 11 June 2010 (the "Prospectus"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The Third Quarterly Financial Statements do not include all of the information required for annual financial statements. Therefore, they should be read in conjunction with the Group accountants' report included in the Prospectus for the year ended 31 December 2009.

Pursuant to a group reorganisation (the "Reorganisation") on 4 June 2010 in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the "Listing") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group.

The Reorganisation involved business combinations of entities under common control. Accordingly, for the purpose of this report, the Third Quarterly Financial Statements and the related notes thereto have been prepared by applying the principles of merger accounting. On this basis, the Third Quarterly Financial Statements, including comparative figures, are presented as if the current group structure had been in existence throughout the relevant periods, or since their respective dates of incorporation of the companies comprising the Group where there is a shorter period. The condensed consolidated statements of financial position as at 31 December 2009 and 30 September 2010 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates, or since the respective dates of incorporation of the companies comprising the Group where there is a shorter period.

All significant intra-group transactions and balances have been eliminated on consolidation.

The Third Quarterly Financial Statements have been prepared under the historical cost convention, except for certain items of plant and equipment and available-for-sale investment which have been measured at fair values. The Third Quarterly Financial Statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

2. BASIS OF PRESENTATION *(Continued)*

2.1 Changes in accounting policy and disclosures

In the current period, the Group applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2010.

HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>

The adoption of these new and revised HKFRSs has had no material effect on the Third Quarterly Financial Statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.2 Issued but not yet effective HKFRSs

In the Third Quarterly Financial Statements, the Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 Amendment	<i>Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 32 Amendments	<i>Classification of Rights Issues</i>
HK(IFRIC)-Int 14	<i>Prepayments of a Minimum Funding Requirement</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, and, so far, the Group believes that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents corporate advisory income and brokerage commission income.

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

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue				
Corporate advisory income	7,441	6,083	16,869	46,735
Brokerage commission income	-	14	9	104
	<u>7,441</u>	<u>6,097</u>	<u>16,878</u>	<u>46,839</u>
Other income and gains				
Reversal of other payables	170	-	170	-
Interest income	75	7	102	44
Reversal of impairment of trade receivables	-	400	-	501
Others	15	-	27	5
	<u>260</u>	<u>407</u>	<u>299</u>	<u>550</u>

4. OPERATING SEGMENT INFORMATION

The Group focuses on the provision of corporate advisory and related activities. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment performance, is concentrated 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.

5. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	91	90	268	190
Minimum lease payments under operating leases on land and buildings	374	354	1,124	1,062
Employee benefit expense (including directors' remuneration)	5,058	3,138	10,107	6,978

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the three months and nine months ended 30 September 2010 and 2009.

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current – Hong Kong	263	296	497	718

There was no unprovided deferred tax for the relevant periods and at the end of each reporting period.

7. DIVIDENDS

Dividends distributed by the subsidiaries of the Company for the three months and nine months ended 30 September 2010 and 2009 were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interim dividends distributed by subsidiaries (<i>Note</i>)	-	-	29,000	-

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010.

Note: The amount represented interim dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing during the nine months ended 30 September 2010. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of the Third Quarterly Financial Statements.

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

The calculations of basic earnings/(losses) per share for the three months and nine months ended 30 September 2010 are based on the unaudited consolidated income of HK\$1,489,000 and unaudited consolidated loss of HK\$1,612,000 attributable to equity holders of the Company for each of the three months and nine months ended 30 September 2010 respectively (three months and nine months ended 30 September 2009: combined profit of HK\$1,398,000 and HK\$34,779,000 respectively) and the pro forma weighted average number of 1,200,000,000 and 1,015,384,615 shares in issue for each of the three months and nine months ended 30 September 2010 respectively (pro forma weighted average number of shares in issue for the three months and nine months ended 30 September 2009: 900,000,000 shares) as if they had been in issue throughout the periods.

No adjustment has been made to the basic earnings/(losses) per share amounts presented for the three months and nine months ended 30 September 2010 as the conversion of the outstanding share options during the period had an anti-dilutive effect on the basic earnings/(losses) per share. There were no dilutive potential ordinary shares in existence for the three months and nine months ended 30 September 2009 and therefore no diluted earnings per share amounts have been presented.

9. PLANT AND EQUIPMENT

During the nine months ended 30 September 2010, the Group acquired items of plant and equipment with a cost of HK\$118,035 (nine months ended 30 September 2009: HK\$750,644). During the nine months ended 30 September 2010 and 2009, no items of plant and equipment were disposed of.

10. TRADE RECEIVABLES

The Group's trade receivables arose from the provision of corporate advisory and securities dealings during the relevant periods.

Payment by the Group's customers is due upon issuance of invoices. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management for recovery actions.

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of provision, is as follows:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Within 3 months	2,292	3,120
3 to 6 months	361	150
Over 1 year	—	5
	<hr/> 2,653 <hr/>	<hr/> 3,275 <hr/>

11. CASH HELD ON BEHALF OF CLIENTS

The Group's licensed subsidiary maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its normal course of business. This subsidiary has classified the clients' monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

12. TRADE PAYABLES

The Group's trade payables for aged analysis as at the end of each reporting period were on demand (2009: current to 30 days). The sum as at 30 September 2010, which represented clients' trust funds, has been segregated in the trust accounts as described in Note 11 to the Third Quarterly Financial Statements.

13. SHARE CAPITAL

	Notes	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorised			
Upon incorporation	(a)	30,000,000	300,000
Increase in authorised share capital	(c)(i)	9,970,000,000	99,700,000
As at 30 September 2010		10,000,000,000	100,000,000
Issued			
Upon incorporation	(a)	1	0.01
Issue of shares on Reorganisation	(b),(c)(ii)	99,999,999	999,999.99
Capitalisation issue	(d)	800,000,000	8,000,000
Placing of shares	(d)	300,000,000	3,000,000
As at 30 September 2010		1,200,000,000	12,000,000

Notes:

- (a) The Company was incorporated in the Cayman Islands on 5 January 2010 with an authorised share capital of HK\$300,000 divided into 30,000,000 ordinary shares of HK\$0.01 each, of which one share of HK\$0.01 was allotted and issued at nil-paid to the subscriber and subsequently transferred to Master Link Assets Limited (“Master Link”) on 26 January 2010.
- (b) On 26 January 2010, 20,999,999, 8,431,860 and 568,140 unpaid ordinary shares of the Company were subscribed by Master Link, Phillip Capital (HK) Limited (“Phillip Capital (HK)”) and Ms. Chua Bee Tin (“Ms. Chua”) respectively.
- (c) In preparation for the Listing, the following changes in authorised and issued share capital of the Company took place on 4 June 2010:
- (i) the authorised share capital of the Company was increased from HK\$300,000 to HK\$100,000,000 by the creation of additional 9,970,000,000 ordinary shares of HK\$0.01 each which ranked pari passu in all respects with the shares then in issue.
- (ii) the Company allotted and issued 49,000,000, 19,674,339 and 1,325,661 ordinary shares, credited as fully paid, to Master Link, Phillip Capital (HK) and Ms. Chua respectively and credited the 20,999,999, 8,431,860 and 568,140 unpaid ordinary shares of the Company held by Master Link, Phillip Capital (HK) and Ms. Chua respectively as fully paid, in consideration of the transfer of the entire issued share capital of Asian Capital (Special Assets) Limited by Master Link and Ms. Chua to the Company and the transfer of the entire issued share capital of each of Best Remedy Investments Limited and Corporate Wise Limited from Master Link and Phillip Capital (HK) to the Company.
- (d) On 17 June 2010, 300,000,000 ordinary shares of HK\$0.01 each were issued by way of placing (the “Placing”) at a price of HK\$0.20 per share for cash consideration of HK\$60,000,000. The excess of the placing price over the par value of the shares issued was credited to the share premium account. Simultaneously, an aggregate of 800,000,000 ordinary shares of HK\$0.01 each were allotted, issued at par and fully paid to the shareholders whose names appeared on the register of members of the Company as at 7 June 2010 by way of capitalisation of a total sum of HK\$8,000,000 out of the share premium account of the Company arising from the Placing.

14. CONTINGENT LIABILITIES

As at 30 September 2010, neither the Group nor the Company had any significant contingent liabilities (31 December 2009: Nil).

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) On 7 February 2010 and 14 April 2010, the Group was advanced an aggregate amount of HK\$10.50 million by way of shareholders' loans. The loans were interest-free, and were fully repaid out of the proceeds from the Placing in June 2010.
- (b) On 30 August 2010, the Group paid a cash consideration of HK\$180,000 (the "Consideration") to a related company, a director of which is also a director of the Company, for the acquisition of a club membership, which had been transferred to a client of the Group (the "Client") as a settlement arrangement pursuant to an agreement entered between the Group and the Client in a prior year. The Consideration was based on the market value of second hand club memberships.
- (c) Compensation of key management personnel of the Group

	Three months ended 30 September		Nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employees benefits	1,832	279	3,510	2,085
Post-employment benefits	6	3	18	8
	<hr/>	<hr/>	<hr/>	<hr/>
Total compensation paid to key management personnel	1,838	282	3,528	2,093

16. APPROVAL OF THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 12 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Company's shares were successfully listed on the GEM of the Stock Exchange on 18 June 2010.

The Group is principally engaged in corporate advisory and related activities involving the provision of a variety of corporate finance advisory services with a primary focus on companies listed in Hong Kong. The scope of corporate advisory services and related activities offered by the Group includes one or more of the following:

- (i) the resumption of trading in the shares of companies listed on the Stock Exchange, the trading of which generally has been suspended for more than ten business days ("Corporate Resumption");
- (ii) advising on corporate finance activities of companies (whether listed or unlisted), including mergers and acquisitions ("M&A"), arranging pre-initial public offering fund raising for listing candidates and acting as independent financial adviser to listed companies;
- (iii) acting as sponsor in initial public offering and listing of shares on the Stock Exchange ("IPO") exercises, advising listed companies on compliance requirements, and acting as compliance adviser to listed companies (whether post-IPO or post-resumption);
- (iv) services related to litigation support and distressed asset recovery; and
- (v) dealing in securities, both as principal and agent.

For the nine months ended 30 September 2010, the Group no longer enjoyed the exceptionally high revenue arising from Wide Gain Investment Limited as in 2009. Corporate Resumption activities remained active, with the Group having booked income from 8 cases of Hong Kong listed companies seeking resumption of trading of their shares after long suspension. Two such companies received the Stock Exchange's in-principle approval for the resumption of trading of their shares in April and July 2010 respectively, which however would be subject to certain conditions being fulfilled. The latest timetables suggest that resumption of both clients would not take place within 2010.

The Group had a high level of M&A activities during the period, having been involved in 23 transactions. Acting as a joint sponsor for the Company for its Listing, Asian Capital (Corporate Finance) Limited also took part in the placing of the Company's new shares, as well as in one other share placement. The Group has also booked income through performing the role of compliance adviser for two companies listed on the Main Board of the Stock Exchange.

During the nine months period, the Group booked revenue from 3 litigation support and distressed asset recovery cases.

The Group's investment in the CEG-MCL Renaissance Fund Segregated Portfolio (the "Renaissance Fund SP") recorded a small valuation loss of approximately 1.25%, with its valuation stood at approximately HK\$2.47 million as at 30 September 2010, against the cost of investment of HK\$2.50 million. Details of the Renaissance Fund SP are set out in the section headed "Business" in the Prospectus. The Group believes that the Renaissance Fund SP could serve as an additional channel for the Group's fund raising activities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

The Group's turnover for the nine months ended 30 September 2010 was approximately HK\$16.88 million (2009: approximately HK\$46.84 million), representing a decrease of approximately 63.96% from that of 2009, as the Group no longer benefited from the exceptionally high revenue arising from Wide Gain Investment Limited for approximately HK\$32.29 million in the corresponding period of 2009.

The Company recorded a loss for the nine months period of approximately HK\$1.61 million, having narrowed from approximately HK\$3.10 million recorded in the half yearly results. The loss arose primarily as a result of the charging of approximately HK\$4.15 million of Listing expenses to the consolidated income statement. While in certain circumstances such expenses can be offset against the share premium account, after consultation with the Company's auditors, it was decided that the Listing expenses had to be allocated on a basis prescribed by the applicable accounting standards. The total Listing expenses amounted to approximately HK\$10.66 million of which approximately HK\$5.25 million was charged against the share premium account.

The Group's total operating expenses excluding the effect of the Listing expenses for the nine months ended 30 September 2010 were approximately HK\$14.14 million, representing an increase of approximately 18.92% from approximately HK\$11.89 million for the corresponding period. Costs were higher because of a stronger staff complement, the effects of fair value provision for pre-IPO share options, higher audit fees and public relation expenses.

For the nine months ended 30 September 2010, loss attributable to equity holders of the Company was approximately HK\$1.61 million (2009: profit of approximately HK\$34.78 million).

Liquidity and financial resources

The Group has adopted a prudent financial management strategy and maintained a healthy liquidity position. The Group had cash and cash equivalents of approximately HK\$64.67 million as at 30 September 2010 (31 December 2009: approximately HK\$41.48 million). As at 30 September 2010, the Group had net current assets of approximately HK\$64.16 million (31 December 2009: approximately HK\$41.14 million). Current ratio as at 30 September 2010 was 13.55 (31 December 2009: 9.78).

The Group's operations and investments are financed principally by revenues generated from business operations, available equity and the net proceeds from the Placing. The Group had no borrowing and the gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 30 September 2010 (31 December 2009: Nil).

The net asset value of the Group as at 30 September 2010 stood at approximately HK\$68.18 million, which was higher than was illustrated in the Prospectus, being approximately HK\$64.00 million (as adjusted for by the pre-Listing interim dividends of HK\$29.00 million), primarily because of the effects of the operating profit during the period, excluding the Listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources *(Continued)*

For the nine months ended 30 September 2010, the Group had minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities were denominated in Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments where available in respect of significant foreign currency exposure should the need arise.

Outlook

The Group has benefited from the Placing which has strengthened its capital base. The Directors continue to pursue the business strategy of diversifying its income streams in the wake of continued, world-wide economic uncertainties. Engagements on hand are keeping the management team busy. The Quantitative Easing II of the United States, the gradual opening up of Renminbi conversion and mini Qualified Foreign Institutional Investor suggest enhanced capital movements, which should lead to further business opportunities available to the Group. With volatile capital markets and asset inflation risks, the Group will take up opportunities cautiously.

SHARE OPTIONS SCHEMES

The Company has adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 7 June 2010. The principal terms of the two schemes were summarised in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to the Prospectus.

The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

SHARE OPTIONS SCHEMES (Continued)

Pre-IPO Share Option Scheme

Options to subscribe for an aggregate of 120,000,000 shares at an exercise price of HK\$0.20 were granted to 24 participants by the Company, each at a consideration of HK\$1.00 under the Pre-IPO Share Option Scheme. All the available options under the Pre-IPO Share Option Scheme were granted on 10 June 2010 and no further options could be granted under the Pre-IPO Share Option Scheme thereafter.

As at 30 September 2010, details of the options granted under the Pre-IPO Share Option Scheme were as follows:

Name of grantee	Exercise period (dd/mm/yy)	Number of options				Outstanding as at 30 September 2010	Approximate percentage of issued share capital of the Company
		Granted as at 10 June 2010	Exercised during the period	Cancelled during the period	Lapsed during the period		
Directors							
Mr. Yeung Kai Cheung Patrick ("Mr. Yeung")	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. Chan Hok Leung	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. Xin Luo Lin	10/06/12 – 09/06/20	10,000,000	-	-	-	10,000,000	0.83%
Mr. Chan Kai Nang	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.50%
Mr. Lee Wing Hung Raymond	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.50%
Mr. Yi Xiquan	10/06/12 – 09/06/20	6,000,000	-	-	-	6,000,000	0.50%
Senior management of the Group	10/06/12 – 09/06/20	31,000,000	-	-	-	31,000,000	2.58%
Other employees and officers of the Group	10/06/12 – 09/06/20	38,000,000	-	-	(1,000,000)	37,000,000	3.08%
Consultant to the Group	10/06/12 – 09/06/20	3,000,000	-	-	-	3,000,000	0.25%
Total		120,000,000	-	-	(1,000,000)	119,000,000	9.92%

SHARE OPTIONS SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holder in tranches in the following manner:

- (a) 10% of the option shall vest on 10 June 2012;
- (b) 20% of the option shall vest on 10 June 2013;
- (c) 30% of the option shall vest on 10 June 2014; and
- (d) 40% of the option shall vest on 10 June 2015.

Save as disclosed above, none of the options granted under the Pre-IPO Share Option Scheme had been exercised, cancelled nor lapsed during the nine months ended 30 September 2010.

Share Option Scheme

During the nine months ended 30 September 2010, no option was granted, exercised or lapsed under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares pursuant to share option	Aggregate interests	Approximate percentage of shareholding in the Company
Mr. Yeung	Interest of controlled corporation	630,000,000 <i>(Note 1)</i>	–	630,000,000	52.50%
	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. Chan Hok Leung	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. Xin Luo Lin	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.83%
Mr. Chan Kai Nang	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.50%
Mr. Lee Wing Hung Raymond	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.50%
Mr. Yi Xiquan	Beneficial owner	–	6,000,000 <i>(Note 2)</i>	6,000,000	0.50%

Notes:

1. These 630,000,000 shares are owned by Master Link, a company whose entire issued share capital is owned by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 630,000,000 shares owned by Master Link.
2. These shares represent the underlying interest in shares pursuant to the options granted to the Directors by the Company under the Pre-IPO Share Option Scheme. Further details are set out in the paragraph headed "Pre-IPO Share Option Scheme" above.

Save as disclosed above, as at 30 September 2010, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (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 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2010, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Master Link (<i>Note 1</i>)	Beneficial owner	630,000,000	52.50%
Mr. Lim Hua Min ("Mr. Lim") (<i>Note 2</i>)	Interest of controlled corporation	252,955,791	21.08%
Phillip Capital (HK) (<i>Note 2</i>)	Beneficial owner	252,955,791	21.08%
Ms. Lam Pik Wah	Beneficial owner	90,000,000	7.50%

Notes:

1. Master Link is an investment holding company incorporated on 8 January 1999 under the laws of the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Yeung.
2. Phillip Capital (HK) is an investment holding company incorporated on 17 January 2006 under the laws of Hong Kong with limited liability, which is owned as to 85% by Mr. Lim. By virtue of the SFO, Mr. Lim is deemed to be interested in the 252,955,791 shares owned by Phillip Capital (HK).

Save as disclosed above, as at 30 September 2010, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Save for the Listing on 18 June 2010, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2010.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by VC Capital Limited ("VC Capital"), the compliance adviser of the Company, neither VC Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2010.

Pursuant to the agreement dated 17 June 2010 entered into between VC Capital and the Company, VC Capital received and will receive fees for acting as the compliance adviser of the Company.

COMPETING INTERESTS

For the nine months ended 30 September 2010, none of the Directors or controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by 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. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the nine months ended 30 September 2010.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules from the date of Listing up to 30 September 2010, except code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. 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 chief executive officer and executive chairman 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 the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Yeung. The Group also has in place an internal control system to perform check and balance functions.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Chan Kai Nang (chairman of the audit committee), Mr. Lee Wing Hung Raymond and Mr. Yi Xiqun.

The audit committee had reviewed the Third Quarterly Financial Statements and was of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
Asian Capital Holdings Limited
Patrick K. C. Yeung
Executive Chairman

Hong Kong, 12 November 2010

As at the date of this report, 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. Yi Xiqun, Mr. Chan Kai Nang and Mr. Lee Wing Hung Raymond being independent non-executive Directors.