

**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 2008**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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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. Yang Qiulin, and Mr. Qiu Yue; the non-executive director is Mr. Lo Mun Lam, Raymond (Vice Chairman); and the independent non-executive directors are Mr. Wu Jixue, Mr. Zhang Daorong, and Dr. Feng Ke.*

## 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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	2	<b>29,226</b>	42,293	<b>91,995</b>	133,661
Cost of services		<b>(25,681)</b>	(39,192)	<b>(81,917)</b>	(123,788)
Gross profit		<b>3,585</b>	3,101	<b>10,078</b>	9,873
Other revenue		<b>172</b>	135	<b>(68)</b>	55
Interest income		<b>8</b>	3	<b>20</b>	17
Staff costs		<b>(3,216)</b>	(2,689)	<b>(8,977)</b>	(9,883)
Operating lease rentals		<b>(936)</b>	(778)	<b>(2,495)</b>	(2,716)
Other operating expenses		<b>(2,020)</b>	(1,880)	<b>(6,132)</b>	(7,609)
Depreciation and amortization		<b>(121)</b>	(173)	<b>(413)</b>	(638)
Loss from operating activities		<b>(2,528)</b>	(2,281)	<b>(7,987)</b>	(10,901)
Finance costs		<b>(123)</b>	(214)	<b>(291)</b>	(569)
Loss before taxation		<b>(2,651)</b>	(2,495)	<b>(8,278)</b>	(11,470)
Taxation	3	-	-	-	-
Loss for the period		<b>(2,651)</b>	(2,495)	<b>(8,278)</b>	(11,470)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(2,651)</b>	(2,495)	<b>(8,278)</b>	(11,470)
Minority interests		<b>268</b>	-	<b>268</b>	-
		<b>(2,383)</b>	(2,495)	<b>(8,010)</b>	(11,470)
Loss per share					
- Basic	4	<b>(0.34 cents)</b>	(0.44 cents)	<b>(1.21 cents)</b>	(2.15 cents)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2008 and the nine months ended 30 September 2007:

	Attributable to equity holders of the Company							Total
	Share capital	Share premium	Capital reserves	Trans- lation Reserve	Accu- mulated losses	Total	Minority interests	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2007	47,624	87,707	26,020	(93)	(183,148)	(21,890)	817	(21,073)
Movement of the period	9,100	-	(3,295)	(146)	(11,470)	(5,811)	-	(5,811)
As at 30 September 2007	56,724	87,707	22,725	(239)	(194,618)	(27,701)	817	(26,884)
As at 1 January 2008	63,933	97,008	26,020	(775)	(203,297)	(17,111)	817	(16,294)
Movement of the period	32,409	38,242	26,787	9	(8,010)	89,437	2,295	91,732
As at 30 September 2008	96,342	135,250	52,807	(766)	(211,307)	72,326	3,112	75,438

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 2007, and those as set out in Appendix III, unaudited pro forma financial information of the enlarged group, in the Company’s circular dated 28 February 2008.

## 2. TURNOVER

The Group’s turnover represents the invoiced value of (1) project fees from the provision of project consultancy services; (2) distribution fees from the provision of content information; (3) service fees from the provision of internet solution services; and (4) service fees from the provision of logistics services and excludes intra-Group transactions as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2008 HK\$’000	2007 HK\$’000	2008 HK\$’000	2007 HK\$’000
Content solution service				
– project fees	–	51	–	153
– distribution fees	–	191	27	574
Internet solution service fees				
– Internet Protocol Television fees	–	–	–	13
Logistics service fees	29,266	42,051	91,968	132,921
Total turnover	29,266	42,293	91,995	133,661

### 3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	-	-	-	-
PRC income tax	-	-	-	-
	-	-	-	-

No Hong Kong profits tax and PRC income tax has been provided for the nine months ended 30 September 2008 as the Group has no assessable profit for the period.

### 4. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2008 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$2,383,000 (2007: HK\$2,495,000) and HK\$8,010,000 (2007: HK\$11,470,000) and the weighted average number of ordinary shares of approximately 704,151,932 and 660,782,059 respectively (2007: 567,237,105 and 533,196,235) during the periods.

## DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2008 (2007: 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 2008 was approximately HK\$91,995,000 (2007: HK\$133,661,000) which was decreased by approximately 31% as compared to that of the previous financial year. The Board noticed one of the significant reasons for the decrease in the total turnover of the Group was a result of the severe weather conditions and natural disasters in the PRC in the early part of the period, coupled with the poor global economic outlook, global increases in the cost of oil, and the global financial crisis during the later part of the period which affected the entire transportation industry in the PRC. These factors have led to a reduction in the turnover achieved from the logistics division of the Group.

The Group's gross profit margin is increased from 7.39% for the nine months ended 30 September 2007 to 10.95% for the current period. The increase in gross profit margin is due to the closure of the non-profitable operations in Hong Kong and the USA.

The unaudited consolidated loss from operations for the nine months ended 30 September 2008 was approximately HK\$8,010,000 which has decreased by 30% compared with the corresponding period last year, HK\$11,470,000. It was mainly due to the increase in gross profit margin and reduction in staff costs and other administrative expenses of the Group.

The Board does not anticipate that the overall results of the Group will be favourable at the end of the financial year for 2008, given the global financial crisis, and the general downturn in the global economy.

### **Financial cost**

The financial cost of the Group for the nine months ended 30 September 2008 was approximately HK\$291,000 (2007: HK\$569,000) which was decreased by approximately 48.86% as compared to that of the same period of last year.

### **Liquidity, financial resources and capital structure**

For the nine months ended 30 September 2008, the Group's borrowing consists of an amount due from the ultimate holding company of HK\$10,129,000. The Group had a cash balance of approximately HK\$5,175,000 (2007: HK\$3,841,000).

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 2008 has increased from HK\$63,933,000 to HK\$96,342,000.

### **Gearing Ratio**

For the nine months ended 30 September 2008, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 28% (2007: 33%).

## **Employee and remuneration policies**

For the nine months ended 30 September 2008, the Group employed a total of 202 employees (as at 30 September 2007: 185), of which 10 were located in Hong Kong and the remaining 192 were located in the PRC. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

## **Material acquisitions and disposals of subsidiaries and affiliated companies**

### *Acquisition of a Media Company*

On 11 January 2008, the Board announced that the Company entered into an agreement pursuant to which the Company conditionally agreed to purchase the 100% equity interest of a media company in the PRC at the consideration of HK\$157 million (the "Consideration"). The Consideration shall be financed by (i) the issue and allotment of 324,082,568 new Shares at HK\$0.218 per Consideration Share; and (ii) the issue in aggregate of HK\$86,350,000 of zero-coupon Convertible Notes convertible at the initial Conversion Price of HK\$0.218 per Share with 24-month maturity. Details of the purchase are set out in the circular of the Company dated 28 February 2008.

The acquisition was approved by the independent shareholders by way of poll at the EGM held on 14 March 2008. Details are set out in the announcement dated 14 March 2008.

On 12 September 2008 the Company announced that the acquisition had been completed on 11 September 2008. As such the media company, Guangzhou Wavecom Communication and Advertising Limited, and its subsidiary South Pearl Limited, have been incorporated into the corporate structure of the Group. Subsequently, as at 30 September 2008, the accounts of the media company and its subsidiary have been consolidated into the Group's consolidated accounts.

## **Material Litigation and Contingent Liabilities**

As at 30 September 2008 the Directors consider that the Group is not involved in any material litigation nor is it exposed to any contingent liabilities of material significance.



## **Issue of New Shares**

Having completed the acquisition of the media company, as set out in the section ‘Material acquisitions and disposals of subsidiaries and affiliated companies’, above, the Board resolved on 19 September 2008 to approve the issue and allotment of consideration shares to Asian Dynamics International Limited and Lucky Peace Limited, as provided for in the circular of the Company dated 28 February 2008. Subsequently on 19 September 2008 the Company issued and allotted 286,262,132 and 37,820,436 shares in the capital of the Company to Asian Dynamics International Limited and Lucky Peace Limited, respectively. The new shareholding structure of the Company is set out in the section entitled ‘Substantial shareholders’ and other persons interests and short positions in shares and underlying shares discloseable under the SFO’, below.

## **Subsequent Events**

### *Appointment of Executive Director*

Mr. Qiu Yue (“Mr. Qiu”) has been appointed as an executive director of the Company with effect from 24 October 2008.

Mr. Qiu, aged 39, graduated from Zhongshan University, the People’s Republic of China in 1991, with a Bachelor of Arts degree. Mr. Qiu has worked in the advertising business for more than 10 years and was the general manager of Guangzhou Wavecom Communication and Advertising Limited from 1992 to 2006. Mr. Qiu is now the general manager of South Pearl Limited.

Mr. Qiu does not hold other directorships in listed public companies in the last three years. He has no interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract entered into with Mr. Qiu, who is subject to retirement and re-election at the next annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

The director’s fee payable to Mr. Qiu will be determined by the remuneration committee with reference to his contribution in terms of time, effort and his expertise and will be subject to review on an annual basis.

Save for the fact that Mr. Qiu has been the general manager of Guangzhou Wavecom Communication and Advertising Limited, and is the general manager of South Pearl Limited, both companies having been acquired by the Company on 24 December 2008, Mr. Qiu has not previously held any position with the Company or any of its subsidiaries. Mr. Qiu does not have any relationships with other directors, senior management, management shareholder, substantial shareholders or controlling shareholders of the Company as defined in the GEM Listing Rules. There is no additional information required to be disclosed pursuant to Rules 17.50(2)(h) – (v) of the GEM Listing Rules.

The Board believes that there are no other matters that need to be brought to the attention of holders of securities of the Company.

The Board would like to welcome Mr. Qiu as an executive director of the Company.

*Appointment of Independent Non-Executive Director, Audit Committee Member, and Remuneration Committee Member*

Dr. Feng Ke (“Mr. Feng”) has been appointed as an independent non-executive director, member of the audit committee and member of the remuneration committee of the Company with effect from 24 October 2008.

Dr. Feng, aged 37, holds a PHD in theoretic economics from the Beijing University, the People’s Republic of China. Presently he is the department head and researcher of Real Estates Finance Research Center, of the Beijing University Economics Faculty. Dr. Feng is an independent compliance adviser in the publicly listed company Sky Land Resources Limited, and is an independent director in the publicly listed company Guang Yu Development Limited, both companies being listed in the People’s Republic of China.

Dr. Feng has no interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract entered into with Dr. Feng, who is subject to retirement and re-election at the next annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

The director’s fee payable to Dr. Feng will be determined by the remuneration committee with reference to his contribution in terms of time, effort and his expertise and will be subject to review on an annual basis.

Dr. Feng has not previously held any position with the Company or any of its subsidiaries. Dr. Feng does not have any relationships with other directors, senior management, management shareholder, substantial shareholders or controlling shareholders of the Company as defined in the GEM Listing Rules. There is no additional information required to be disclosed pursuant to Rules 17.50(2)(h) – (v) of the GEM Listing Rules.

The Board has assessed the independence of Mr. Feng and is satisfied that he meets all of the independence guidelines set out in Rule 5.09 of the GEM Listing Rules, and therefore the Board is of the opinion that Mr. Feng is independent of the Company.

The Board believes that there are no other matters that need to be brought to the attention of holders of securities of the Company.

The Board would like to welcome Dr. Feng as an independent non-executive director, member of the audit committee, and member of the remuneration committee of the Company.

*Resignation of Independent Non-Executive Director, Audit Committee Member, and Remuneration Committee Member*

Mr. Yang Zhenhong (“Mr. Yang”) has resigned as an independent non-executive director, member of the audit committee and member of the remuneration committee of the Company with effect from 30 October 2008 due to Mr. Yang’s concerns over his health.

Mr. Yang has confirmed that there is no disagreement with the Board and there is no other matter regarding his resignation that need to be brought to the attention of the shareholders of the Company.

The Board would like to thank Mr. Yang for his valuable contributions to the Company during his tenure of service.

## **OPERATIONAL REVIEW**

During the period under review, the Group continued its focuses on core business in logistics services and information technology. The Group continues to explore investment opportunities which are strategic to the Group’s business operations and which will contribute significantly to the return of the Company’s shareholders.

The Company has a sufficient level of operations in logistics services and has sufficient assets to operate its business as a going concern. Currently, the Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has sufficient assets to operate its business due to the continuing support of the major shareholder of the Company. Furthermore, as set out in the section "Material acquisitions and disposals of subsidiaries and affiliated companies", above, the Company has acquired the 100% equity interest of a media company in the PRC at the consideration of HK\$157 million (the "Acquisition").

The Board continues the process of reviewing all the operations of the Group to ensure that the returns from those operations can be justified. The Board intends to dispose of all non-profitable operations within the Group. Furthermore, the Board will continue to strive to reduce the operating costs of the Group, and is aiming towards achieving profitability from all of the divisions within the Group.

### **Performance of operating divisions**

#### *Logistics Services*

Notwithstanding the management's efforts in rationalizing the Group's operations and enhancing the Group's cost efficiency during the period, the aim to attain profitability is yet to be achieved. In the year ahead, the Group will continue to strengthen its ability to meet the growing demand for quality logistics services and allocate sufficient resources to develop the high potential of the PRC market.

Considering the importance of the business and the issues encountered by the Group during the period in respect of its logistics operations, the management of the Company has put a great deal of effort into improving the operation and control of the logistics division through the division's branches and subsidiaries. The effort includes but is not limited to increasing marketing efforts, widening, improving efficiency of the Group's logistics services including freight forwarding services and keeping tighter control on the accounting records. With continued efforts of the management, the Company will continue to increase quality clients for the coming year, leading to an increasing contribution to the Group.

Unfortunately, the severe weather conditions and other natural disasters in the PRC in the early part of the period under review, coupled with the poor global economic outlook, global rise in the cost of oil, and the financial crisis in the later part of the period under review have had a significant impact on the total turnover that has been achieved from the logistics division. Furthermore, coupled with the general downturn in the worldwide economy, the Board believes the negative impact on the logistics division will have an enduring effect for the year to come. These negative influences have affected the entire transportation sector in the PRC.

## *Information Technology*

The Board has been seeking investment opportunities to broaden the Group's income base and to expand the Group's existing business operations from the information technology division. The Board has considered the following factors, including, but not limited to, the Group's existing investments in the information technology division, and the returns that are currently achieved therefrom. The acquisition of Guangzhou Wavecom Communication and Advertising Limited, and its subsidiary South Pearl Limited, was completed on 11 September 2008, and hence as at 30 September 2008, the accounts of the media company and its subsidiary have been consolidated into the Group's consolidated accounts.

The Board has noted that due to the strict registration requirements in the PRC, the completion of the acquisition took nearly nine months to complete, and in fact the Company announced on 20 June 2008 that the Company had entered into a supplemental agreement with the vendors of Guangzhou Wavecom Communication and Advertising Limited to, among other things, extend the time for completion of the acquisition so as to provide for the fulfilment of all the conditions precedent, as set out in the Company's circular dated 28 February 2008, including the condition that ownership of Guangzhou Wavecom Communication and Advertising Limited be transferred to and duly registered with the authorities in the PRC as a subsidiary of Biztech Company Limited. The strict registration requirements led to this unforeseeable delay in completion of the acquisition.

Unfortunately, this unforeseeable delay meant that the acquisition was only completed on 11 September 2008, which fell at the initial stages of the global economic and financial crisis in the United States and the world.

Therefore, as a result of the global financial crisis, and the downturn in the global economy, the Board is of the view that the present is not the appropriate time to officially launch its internet protocol television services as the consumer base is likely to be concerned about subscribing for long-term services which the Group will offer. The Board considers that at present it is time for prudence and not to make heavy capital commitment and thereby decided that the internet protocol television market is not conducive to launching the internet protocol television services in the greater southern China region. Nevertheless, the Board has decided to launch the internet protocol television services at a time when there is a better economic environment, but shall continue to provide the interim internet access movie services and develop the trial services for the future Mall TV network.

The Board expects to launch the provision of the internet protocol television services towards the end of the first quarter of 2009. The Board is hopeful and expectant the general world economy should have revitalized by this time, and as such the market will be more conducive to the launch of the internet protocol television services.

The delay in the expected date of launch therefore would not improve the expected revenue base of the Group for the period in question, and for forthcoming periods in the near future. Shareholders shall be kept informed of any developments in this sector, and shall be fully advised of the Board's intentions regarding the commencement of the internet protocol television services, and the additional revenue to the Group which is expected to be derived therefrom.

#### *Financial Consultancy*

The Group has decided to explore further opportunities for development in the corporate finance sector. Hence the acquisition of Vega International Group Limited ("Vega"), which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services. The Group is now in the process of negotiating a number of contracts for the provision of financial consultancy services by Vega with companies in the southern China region. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 2008, none of the Directors and the chief executive of the Company had registered an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the GEM Listing Rules.

## 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 30 September 2008, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the share and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited (Note 1)	Beneficial owner	Corporate	613,947,563	63.73%
Aldgate Agents Limited (Note 2)	Beneficial owner	Corporate	66,120,000	6.86%
Mongolia Energy Corporation Limited	Interest of a controlled corporation	Corporate	66,120,000	6.86%

Notes:

1. Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.
2. Aldgate Agents Limited is a wholly owned subsidiary of Mongolia Energy Corporation Limited, previously known as New World Cyberbase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 30 September 2008, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

## **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 with the business of the Group.

## **MANAGEMENT SHAREHOLDER**

As far as the Directors are aware of, other than Asian Dynamics International Limited, Mongolia Energy Corporation Limited, and Aldgate Agents Limited, as disclosed above, there was no other person during the nine months ended 30 September 2008 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.

## **SHARE OPTIONS**

For the nine months ended 30 September 2008, there are outstanding 97,840,073 ordinary shares of HK\$0.10 each in the capital of the Company (“the Option Share(s)”) granted by the Company and fall to be issued upon exercise of the Option Shares at the exercise price of HK\$0.275 per Option Share.

## **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 2008.



## **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 2008.

## **AUDIT COMMITTEE**

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Dr. Feng Ke, and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

On behalf of the Board

**Xie Xuan**

*Chairman*

Hong Kong, 10 November 2008