



*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8025)**

## **INTERIM RESULTS ANNOUNCEMENT (For the six months ended 30 June 2016)**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 announcement, the executive directors of the Company are Mr. Xie Xuan (Chairman), Mr. Qiu Yue and Dr. Feng Ke; and the independent non-executive directors are Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi.*

## UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of directors (the “Board”) of Asian Capital Resources (Holdings) Limited (the “Company”) present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 June 2016 together with the comparative figures for the corresponding periods in 2015 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>CONTINUING OPERATION</b>					
Turnover	2	<b>8,050</b>	7,721	<b>11,600</b>	10,534
Cost of services		<b>(6,000)</b>	(1,177)	<b>(6,000)</b>	(1,177)
Gross profit		<b>2,050</b>	6,544	<b>5,600</b>	9,357
Other revenue		<b>48</b>	50	<b>95</b>	100
Interest income		<b>-</b>	3	<b>-</b>	3
Staff costs		<b>(812)</b>	(1,877)	<b>(1,624)</b>	(4,324)
Operating lease rentals		<b>(152)</b>	(150)	<b>(535)</b>	(733)
Other operating expenses		<b>(1,218)</b>	(2,316)	<b>(2,833)</b>	(4,327)
Depreciation and amortization		<b>(149)</b>	(4,136)	<b>(299)</b>	(5,237)
Gain/(Loss) from operating activities		<b>(233)</b>	(1,882)	<b>404</b>	(5,161)
Finance costs		<b>(248)</b>	(258)	<b>(492)</b>	(587)
(Loss) before taxation		<b>(481)</b>	(2,140)	<b>(88)</b>	(5,748)
Taxation	3	<b>(511)</b>	-	<b>(511)</b>	-
Profit/(Loss) for the period:					
From operation		<b>(992)</b>	(2,140)	<b>(599)</b>	(5,748)
Profit from disposal of subsidiaries		<b>-</b>	-	<b>7,680</b>	-
Profit/(Loss) for the period		<b>(992)</b>	(2,140)	<b>7,081</b>	(5,748)
Attributable to:					
Equity holders of the Company		<b>(992)</b>	(2,852)	<b>3,280</b>	(5,331)
Non controlling interest		<b>-</b>	712	<b>3,801</b>	(417)
		<b>(992)</b>	(2,140)	<b>7,081</b>	(5,748)
Profit/(Loss) per share					
- Basic	4	<b>(0.06 cents)</b>	(0.16 cents)	<b>0.19 cents</b>	(0.30 cents)

## CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	2,789	2,793
Goodwill	195,483	195,483
Interest in associate	5,003	5,003
	203,275	203,279
<b>Current assets</b>		
Trade and other receivables	11,931	3,736
Cash and bank balances	7,858	12,383
Assets classified as held for sale	–	195,407
	19,789	211,526
<b>Current liabilities</b>		
Trade and other payables	(18,828)	(12,962)
Tax payable	(511)	–
Amount due to a director	(3,110)	–
Liability directly associated with assets classified as held for sale	–	(203,021)
	(22,449)	(215,983)
<b>Net current (liabilities)</b>	<b>(2,660)</b>	<b>(4,457)</b>
<b>Total assets less current liabilities</b>	<b>200,615</b>	<b>198,822</b>
<b>Non current liabilities</b>		
Contingent consideration payable	(100,953)	(100,953)
Amount due to a director	–	(5,713)
Amount due to a substantial shareholder	(22,841)	(22,349)
	(123,794)	(129,015)
<b>Net assets</b>	<b>76,821</b>	<b>69,807</b>
<b>Capital and reserves</b>		
Share capital	176,183	176,183
Reserves b/f	(87,164)	(87,164)
Non controlling interest arising on disposal of subsidiaries	(11)	–
Translation Reserves	(67)	–
Profit for the period	3,280	–
	92,221	89,019
(Deficit)/Equity attributable to shareholders of the Company	92,221	89,019
Minority interests	(15,400)	(19,212)
<b>Total equity</b>	<b>76,821</b>	<b>69,807</b>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the three months ended 30 June 2016:

	Attributable to equity holders of the Company							Non Controlling interest	Total
	Issued Share Capital	Share Premium	Capital Reserve	Translation Reserve	Accumulated Profit/(Loss)	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2015	176,183	304,371	26,020	(3,587)	(401,961)	101,026	1,739	102,765	
Movement of the period	-	-	-	-	(5,331)	(5,331)	(417)	(5,748)	
As at 30 June 2015	176,183	304,731	26,020	(3,587)	(407,292)	95,695	1,322	97,017	
As at 1 January 2016	176,183	304,371	26,020	(3,751)	(413,804)	89,019	(19,212)	69,807	
Movement of the period	-	-	-	(67)	3,280	3,213	3,801	7,014	
Non controlling interest arising on disposal of subsidiaries	-	-	(11)	-	-	(11)	11	-	
As at 30 June 2016	176,183	304,371	26,009	(3,818)	(410,524)	92,221	(15,400)	76,821	

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	30/06/2016	30/06/2015
From Operation Activities		
Loss per report	(599)	(5,748)
Adjustment for:		
Interest income (should not be adjusted)		
Depreciation and Amortisation	<u>299</u>	<u>5,582</u>
	(8,195)	126,572
(Increase)/Decrease in Trade and Other Receivables		
(Decrease)/Increase in Trade and Other Payables	5,866	(124,322)
Tax Provision	511	–
Tax paid	–	(17)
	<u>(1,818)</u>	<u>2,233</u>
	(2,118)	2,067
From Investing Activities		
Purchase of equipment including system upgrade	(296)	(1,858)
Investment in associate	–	(88)
	<u>–</u>	<u>(1,946)</u>
Net cash (outflow) before financing activities	(2,414)	121
From Finance Activities		
Repayment to director	(2,603)	(195)
Advance from substantial shareholder	492	587
	<u>(2,111)</u>	<u>392</u>
	(4,525)	513
Bank as at 01/01/2016 & 2015	<u>12,383</u>	<u>20,316</u>
Bank as per 30 June	<u><b>7,858</b></u>	<u><b>20,829</b></u>

Notes:

## 1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2015.

## 2. TURNOVER

The Group’s turnover represents the invoiced value of service fees from the provision of Management and consultancy services; and excludes intra-Group transactions as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Management and consultancy services	<b>8,050</b>	7,721	<b>11,600</b>	10,534
Total turnover	<b>8,050</b>	7,721	<b>11,600</b>	10,534

- (a) Business segments Segment information reported to the chief operating decision maker, directors of the Company, is based on the type of services rendered by the Group’s operating division for the purposes of resources allocation and performance assessment. The Group has one reporting segment, management and consultancy services.

(b) *Geographical segments*

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Turnover		
Hong Kong	–	–
The PRC	11,600	10,534
	<hr/>	<hr/>
	11,600	10,534
	<hr/>	<hr/>

3. TAXATION

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	–	–	–	–
PRC income tax	(511)	–	(511)	–
	<hr/>	<hr/>	<hr/>	<hr/>

No Hong Kong profits tax has been provided for the six months ended 30 June 2016 as the Group has no assessable profit in Hong Kong for the period.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2016 is based on the net profit from ordinary activities attributable to equity holders of the HK\$3,280,000 (2015: loss HK\$5,331,000) and the weighted average number of ordinary shares of approximately 1,761,825,563 (2015: 1,761,825,563) during the periods.

## 5. TRADE AND OTHER RECEIVABLES

	As at <b>30 June 2016</b> <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>
Trade receivables	<b>8,544</b>	2,290
Prepayments, deposits and other receivables	<b>3,387</b>	1,446
	<b>11,931</b>	3,736

  

	As at <b>30 June 2016</b> <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>
0 to 30 days	<b>8,050</b>	–
over 180 days	<b>494</b>	2,290
Total trade receivables	<b>8,544</b>	2,290

The credit period of the Group's trade receivables ranges from 60 days to 90 days. For certain customers with long-estimated relationship and good past histories, a longer credit period may be granted.

No interest was charged on the trade receivables. The Group did not hold any collateral over these balances. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss has been recognised for irrecoverable amount, if necessary. None of the trade receivable is either past due or impaired.

## 6. TRADE PAYABLES

	As at <b>30 June 2016</b> <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>
Trade payables	–	–
Accruals and other payables	<b>18,828</b>	12,962
	<b>18,828</b>	12,962

## 7. FINANCE COSTS

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



## **DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 June 2016 (2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover and loss attributable to shareholders**

The consolidated turnover of the Group for the six months ended 30 June 2016 was approximately HK\$11,600,000 (2015: HK\$10,534,000). The unaudited consolidated profit from operations for the six months ended 30 June 2016 was approximately HK\$404,000 which improved as compared with the loss of last year corresponding period of HK\$5,161,000. Loss after taxation for the three months ended 30 June 2016 was approximately HK\$992,000 as compared to 2015's loss HK\$2,140,000.

A provision of HK\$6,000,000 was made, as a prudence measure agreed by the board, for the cost of the service fee reported in the period.

#### **Financial cost**

The financial cost of the Group for the six months ended 30 June 2016 was approximately HK\$492,000 (2015: HK\$587,000) which was decreased by approximately 16.18% as compared to that of the same period of last year.

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

For the six months ended 30 June 2016, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$22,841,000. The Group had a cash balance of approximately HK\$7,858,000.

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

The issued share capital of the Group for the six months ended 30 June 2016 was HK\$176,182,556 (2015: HK\$176,182,556).

## **Gearing Ratio**

As at 30 June 2016, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 61.3% (2015: 55.5%).

## **Employee and remuneration policies**

As at 30 June 2016, the Group employed a total of 9 employees (as at 30 June 2015: 11), of which 3 were located in Hong Kong, 5 were located in the PRC and 1 located in USA. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

## **OPERATIONAL REVIEW**

During the period under review, the Group was focusing its effort in its management and consultative services on the financial related sector. Furthermore the Group continues to research, develop, explore investment and joint ventures opportunities in licensed asset management sectors in Singapore and California, which are strategic to its business operations and operates under similar laws with the Hong Kong SAR base. Both The Group and the Company does not have any financial difficulties to an extent that may seriously impair the Company's ability to continue its business and the revenue generated by the services provided sufficient cash-flow to operate efficiently.

The Board, looking forward, views that by concentrating on providing our services and expanding on its financial related services and private equity consultative services by securing more equity management contracts, will enhance the company's incremental business and the future value of the company.

## **Management Services and Financial Related Services**

During the period under review the Company has been focused on actively developing and expanding the business in the management and consultative services in the financial services sector.

In addition, as stated in the First Quarterly Report 2016, with the completion of the restructuring process in 24 March 2016, it marked the completion of the management control process. The whole process which included the disposal of a subsidiary had successfully achieved the following: 1) retained the profit generating contracts of the subsidiary, which in substance, supports the profit guarantee; 2) received the Private Investment Fund Manager Certificate which supports the acquisition and sustainable business pursuits; 3) reduced operating costs by subsidiaries and associates; and 4) mitigated and protected the Company from any legal risks going forward in regards to the disposed subsidiary. More importantly, the remedial action taken, had strengthen governance and management control over the continuous activities of the Company and subsidiaries. The restructure process has not affected the profit guarantee, as disclosed in the 2015 Annual Report P. 10 “With the consolidation of operations the Company has successfully disposed of its Shanghai subsidiary without affecting the profit guarantee in place from its prior acquisition from its vendor.”

For the Company’s onshore private investment fund management business, one of the private investment fund is unavoidably, affected by the south China real estate conglomerate’s corporate endeavors, and had proven more costly for the group to engage in the service of structural asset-management, including the procurements of follow-on management contracts of similar projects, entered into previously.

The Company has been continually engaging the financial advisory roles for a number of overseas investment opportunities, which are in line with the PRC directives of Chinese outbound foreign direct investments, covering regions in Europe, South East Asia and America. The Company serves as the General Partners for the Limited Partnerships formed; which entitles the Company to take on a lead role in the investment decisions making process regarding investment opportunities involved. The Company is currently in the process of structuring Joint Ventures under general partnership basis, with a number of geographically well placed strategic partners for the operations of the management services of the investment ventures. These investments will be funded by the increase demand of Chinese investors looking for investment opportunities overseas, acting as limited partners. This demand has been emerging because China has transformed rapidly from being an importer of capital into a major exporter of capital creating a substantial amount of capital outflow demand. In addition, with the trend of RMB liberalization on the horizon, the Group envisions it will be in a great position to take advantage of the future macro-economic environment.

Furthermore, apart from the aforementioned operations, the Group continues to research, develop and explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of the Company’s shareholders.

## **Preliminary Environmental, Social and Governance Report**

Although the Group's core business is not strongly tied to emissions that are hazardous to the environment the Group has adopted other ways to try to have an impact. During the period under review the Group have actively engaged in the Environmental, Social and Governance (ESG) process. The Board and the senior executives of the Company has participated in over 20 hours of ESG training. In addition, the Directors of the Group are currently very well diversified in respect of both professionally and geographically to ensure the Group will be prepared for ongoing ESG compliances.

For the Environmental aspect in particular, the Directors and senior executives have actively engaged in telephone conference meetings rather than the traditional face-to-face for all non-essential meetings. This will decrease the transports for the Board and the senior executives, hence reducing the corresponding carbon emission produced from the traveling. Also, the Group has taken on an electronic based filing storage system whereby the amount of printed materials and hard copies of non-essential materials will be kept at a minimum in order to promote a more Green corporate culture.

As for the Social aspect, the Group will review and screen clients for their social and environmental effects to the society before engaging in consultation services with them. In addition, to the best knowledge of the Group none of the Directors and senior executives are under any legal disputes or have any outstanding legal issues which requires exhaustive social responsibilities, to make the case socially responsive to public good.

Going forward the Group and its Board will continue to improve, enhance and promote the ESG process.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

### **Deregistration and Winding-Up of various Subsidiaries in the Group**

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

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

During the six months reporting period Kasun Asian Capital Resources Management Limited and South Pearl Limited (廣州南方明珠網絡有限公司) were de-registered.

As disclosed in the Company's 2015 Annual Report, Vega International Group Limited, Vega Capital Limited (廣州維嘉投資顧問有限公司) and Shanghai Zero2IPO M&A Fund Management Co Limited (上海清科凱盛投資管理有限公司) were disposed during the six months reporting period.

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

## **MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

Nil

## **SIGNIFICANT EVENT(S) AFTER REPORTING PERIOD**

Nil

## DISCLOSURE OF INTERESTS

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571, (“SFO”) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long Positions in the Ordinary Shares of HK\$0.10 each (the “Shares”) of the Company

	Number of issued shares held, capacity and nature of interest					Percentage of the Company's issued Shares as at 30 June 2016
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
<b>Directors</b>						
Mr. Xie Xuan	-	-	518,014,782 (Note 1)	-	518,014,782	29.40%
Mr. Qiu Yue	15,430,000	-	18,620,436 (Note 2)	-	34,050,436	1.93%
	15,430,000	-	536,635,218	-	552,065,218	38.95%

*Note 1:* The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

*Note 2:* The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(B) Interests and short positions of the Substantial Shareholders in the Shares, underlying shares and debentures of the Company**

As at 30 June 2016, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

*(i) Long Positions in the Shares*

Name of Shareholder	Capacity	Number of shares	Percentage of the Company's issued Shares as at 30 June 2016
Glamour House Limited	Interest of a controlled corporation ( <i>Note 1</i> )	518,014,782	29.40%
Asian Dynamics International Limited	Beneficial owner	517,896,132	29.39%
Century Field Limited	Beneficial owner	276,306,666	15.68%

*Note 1:* The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Save as disclosed above, as at 30 June 2016, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

## **DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

## **COMPETING INTERESTS**

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

## **MANAGEMENT SHAREHOLDER**

As far as the Directors are aware of, other than Asian Dynamics International Limited, Glamour House Limited and Mr. Xie Xuan as disclosed above, there was no other person as at 30 June 2016 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period ended 30 June 2016.

## **CORPORATE GOVERNANCE REPORT**

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.



## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

To ensure compliance with the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company code to bring our corporate governance practices in line with the changes in the environment and requirements of the Code. In the opinion of the Directors, the Company has complied with all the provisions of the Code, for the period ending 30 June 2016, except:

- (i) under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive Directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules the period ended 30 June 2016.

## **BOARD OF DIRECTORS**

The Board is responsible for managing the Company on behalf of the shareholders. The Board is of the view that it is the Directors’ responsibility to create value for the shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of six Directors, with three executive Directors, namely Mr. Xie Xuan (Chairman), Mr. Qiu Yue and Dr. Feng Ke; and three independent non-executive Directors namely Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi. They are professionals in different areas and provide independent opinions based on their expertise.

## **INTERNAL CONTROL**

On an annual basis the Directors have reviewed and are satisfied with their ability to comply with the policies installed as part of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. Furthermore, the Directors are satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programs and budget.

## **AUDIT COMMITTEE**

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Dr. Wang Yi (Chairman of the Committee), Mr. Wu Jixue and Mr. Zheng Hongliang, and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this Interim report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board  
**Xie Xuan**  
*Chairman*

Hong Kong, 12 August 2016