



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8025)

INTERIM RESULTS ANNOUNCEMENT (For the six months ended 30 June 2020)

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.

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 2020 together with the comparative figures for the corresponding periods in 2019 as follows:

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Turnover	2	3,815	5,048	7,063	10,623
Cost of services		(1,572)	(3,786)	(3,890)	(7,679)
Gross profit		2,243	1,262	3,173	2,944
Other revenue		30	122	61	226
Staff costs		(1,188)	(1,193)	(2,194)	(3,045)
Operating lease rentals		(12)	(498)	(144)	(1,276)
Other operating expenses		(1,468)	(739)	(2,115)	(2,521)
Depreciation and amortization		(1,950)	(152)	(2,274)	(437)
Gain/(Loss) from operating activities		(2,345)	(1,198)	(3,493)	(4,109)
Finance costs		(292)	(261)	(645)	(542)
Gain/(Loss) before taxation		(2,637)	(1,459)	(4,138)	(4,651)
Taxation	3	–	–	–	(65)
Profit/(Loss) for the period: From operation		(2,637)	(1,459)	(4,138)	(4,716)
Profit/(Loss) for the period		(2,637)	(1,459)	(4,138)	(4,716)
Attributable to:					
Equity holders of the Company		(2,637)	(1,459)	(4,138)	(4,716)
Non controlling interest		–	–	–	–
		(2,637)	(1,459)	(4,138)	(4,716)
Profit/(Loss) per share	4				
Basic		(1.31) cents	(0.08) cents	(0.40) cents	(0.27) cents
Diluted		(1.31) cents	(0.83) cents	(2.07) cents	(2.68) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2020 <i>HK\$'000</i>	Audited As at 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		1,190	1,139
Right-of-use assets		292	427
Goodwill		39,710	41,800
Interests in associates		5,019	4,947
Financial assets at fair value through other comprehensive income		931	931
Amount due from an investee company		538	538
Rental deposit		79	79
		47,759	49,861
Current assets			
Trade and other receivables	5	3,397	3,754
Cash and cash equivalents		3,705	5,520
		7,102	9,274
Current liabilities			
Trade and other payables	6	10,551	15,042
Amounts due to associates		1,860	1,860
Convertible bonds payable		–	102,275
Lease liabilities		350	494
Tax payable		1,204	4,432
		13,965	124,103
Net current liabilities		(6,863)	(114,829)
Total assets less current liabilities		40,896	(64,968)

		Unaudited	Audited
		As at 30	As at 31
		June 2020	December 2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non current liabilities			
Amount due to a director		6,660	5,801
Amount due to substantial shareholder	7	16,210	9,203
Lease liabilities		24	163
		<hr/> 22,894	15,167
Net assets/(liabilities)		<hr/> 18,002	(80,135)
Capital and reserves			
Share capital		200,902	176,183
Reserves		(182,899)	(256,317)
		<hr/>	<hr/>
Equity attributable to shareholders of the Company		18,003	(80,134)
Non Controlling interests		(1)	(1)
		<hr/>	<hr/>
Total equity		<hr/> 18,002	(80,135)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June 2020

	Attributable to equity holders of the Company									
	Issued Share Capital	Share Premium	Capital Reserve	Translation Reserve	Fair value reserve	Convertible bonds equity Reserve	Accumulated Loss	Total	Non Controlling interest	Total
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019	176,183	304,371	26,020	(3,699)	-	3,091	(530,127)	(24,161)	(1)	(24,162)
Movement of the period	-	-	-	-	-	-	(4,716)	(4,716)	-	(4,716)
As at 30 June 2019	176,183	304,371	26,020	(3,699)	-	3,091	(534,843)	(28,877)	(1)	(28,878)
As at 1 January 2020	176,183	304,371	26,020	(3,566)	162	3,091	(586,395)	(80,134)	(1)	(80,135)
Movement of the period	24,719	80,647	-	-	-	(3,091)	(4,138)	98,137	-	98,137
As at 30 June 2020	200,902	385,018	26,020	(3,566)	162	-	(590,533)	18,003	(1)	18,002

UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT

	Six months ended 30 June			
	2020		2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
From Operation Activities				
Profit/Loss per report		(4,138)		(4,716)
Adjustment for :				
Depreciation of property, plant and equipment	49		437	
Depreciation of right-of-use assets	135		–	
Impairment loss on goodwill	2,090		–	
Finance costs	645	2,919	–	437
(Increase)/Decrease in Trade and Other Receivables	357		13,184	
(Decrease)/Increase in Trade and Other Payables	(4,491)		(13,181)	
Decrease in Obligation under finance lease	–		(150)	
Provision for Tax	–		65	
Tax paid	(3,228)	(7,362)	(160)	(242)
		(8,581)		(4,521)
From Investing Activities				
Investment in associate	–		(220)	
Purchase of property, plant and equipment	(100)	(100)	–	(220)
Net cash inflow/(outflow) before financing activities		(8,681)		(4,741)
From Financing Activities				
Advance from/(repayment to) a director	859		422	
Advance from/(repayment to) substantial shareholder	6,387		(1,963)	
Advances to associates	(72)		–	
Lease liability repayment	(283)		–	
Interest paid	(25)	6,866	–	(1,541)
		(1,815)		(6,282)
Bank balance as at 31 December 2019 and 2018		5,520		6,989
Bank balance as per 30 June		3,705		707

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 2019.

2. TURNOVER

The Group’s turnover represents the invoiced value of service fees from the provision of management and consultancy services and multi-media and value-added service income excludes intra-Group transactions as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Management and consultancy fee	3,248	5,048	6,496	9,804
Multi-media and value-added service income	567	–	567	819
Total turnover	3,815	5,048	7,063	10,623

(a) Business segments 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 two reporting segments, management and consultancy services, multi-media and value-added services.

(b) Geographical segments

	Six months ended 30 June	
	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Turnover		
Hong Kong	–	–
The PRC and outside of Hong Kong	7,063	10,623
	7,603	10,623

3. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	–	–	–	–
PRC income tax	–	–	–	65

No Hong Kong profits tax has been provided for the six months ended 30 June 2020 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 2020 is based on the net loss from ordinary activities attributable to equity holders of the approximately HK\$2,637,000 and HK\$4,138,000 (2019: HK\$1,459,000 and HK\$4,716,000) and the weighted average number of ordinary shares of approximately 200,902,041 and 1,043,063,723 (2019: 1,761,825,563) during the periods.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares to assume share consolidation of every 10 shares into 1 consolidated share was effected from the first day of the respective periods. The adjusted weighted average number of ordinary shares for the three months and six months ended 30 June 2020 is approximately 200,902,041 and 199,679,649 (2019: 176,182,556).

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>HK'000</i>	As at 31 December 2019 <i>HK'000</i>
Trade receivables	3,256	3,132
Prepayments, deposits and other receivables	141	622
	3,397	3,754

Trade receivable

	As at 30 June 2020 <i>HK'000</i>	As at 31 December 2019 <i>HK'000</i>
0-30 days	3,256	3,132
Total	3,256	3,132

6. TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK'000	As at 31 December 2019 HK'000
Trade payable, accruals and other payables	9,159	14,650
Contract liabilities	392	392
	<hr/> 9,551 <hr/>	<hr/> 15,042 <hr/>

7. AMOUNT DUE TO SUBSTANTIAL SHAREHOLDER

In order to improve the Group's financial position and to sustain the Group's as a going concern, the management had taken the following measures during the period:

- (i) Asian Dynamics International Limited ("ADIL"), the substantial shareholder of the Company provided a 18-month stand-by credit facility of HK\$23,000,000 to the Company;
- (ii) ADIL has agreed to provide continuing financial support to the Group to meet its liabilities as they fall due; and
- (iii) ADIL had settled an outstanding amount due under other payables as subordinated loan to the Company.

The directors of the Company considered that, upon obtaining the abovementioned stand-by facilities, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirement.

8. FINANCE COSTS

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

9. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2020 (2019: 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 2020 was approximately HK\$7,063,000 (2019: HK\$10,623,000). The unaudited consolidated loss from operations for the six months ended 30 June 2020 was approximately HK\$3,493,000 which as compared with the loss of last year corresponding period of HK\$4,109,000. Loss for the six months ended 30 June 2020 was approximately HK\$4,138,000 as compared to 2019's loss of HK\$4,716,000. Loss for the period was attributed to decline in revenue.

Financial cost

The financial cost of the Group for the six months ended 30 June 2020 was approximately HK\$645,000 (2019: HK\$542,000) which was increased by approximately 19% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2020, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$16,210,000. The Group had a cash balance of approximately HK\$3,705,000.

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 2020 was HK\$200,902,041 (2019: HK\$176,182,556).

Gearing Ratio

As at 30 June 2020, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 62.31 % (2019: 118.15%).

Employee and remuneration policies

As at 30 June 2020, the Group employed a total of 10 employees (as at 30 June 2019: 10), of which 5 were located in Hong Kong, 4 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 Management was focusing on expanding the sources of operational revenues, using the value-added platform, and limiting the losses in the private equity services which includes corporate consulting & management services.

The Company considers that by improving the ecosystem of revenue generating activities together with the support of the major shareholder, it has sufficient cashflow generated to operate its business as a going concern. The Company does not have any financial difficulties to an extent that may seriously impair the Company's ability to continue its business.

Currently due to the uncertain economic conditions and global health crises, the Group has attempted to reduce its expenses and costs while concentrating during the period, a large amount of management resources to enhance the operation to ensure regulatory compliances and the social responsibilities obligations of the Group in the Greater China region. In addition, the digital platform has been steadily progressing in offering digital value-added services to existing partners and clients, while additional potential limited partners in pursuant to the Hong Kong new legislation on Limited Partnership are in negotiations with the Company.

With the ongoing pandemic that is ravaging the world's economy currently, it has seriously impacted the Groups' pursuits of transactions and consultative and corporate management services. As previously announced the Group has set up a health and wellness focused limited partnerships with secured management contracts, and has been able to secure promising limited partners to commit in our pursuits of sustainable business. However, under the current market conditions, other potential limited partners have been more cautious and are taking risk adverse approach to any new investments. This trend of increased cautiousness is supported from the fact that in addition to the decrease in the new limited partners investing into partnership funds, the uncalled capital of existing funds has also increased in recent years. Uncalled capital hit a record high of US\$2.5 trillion in December 2019 across all fund types and US\$830 billion for buyouts alone (Source: Bain and Company Private Equity Report 2020). The current trend is that the job has gotten harder for General Partners; they face rampant competition for a limited number of high-quality assets and they still have to cope with the record-high price multiples that pressure returns. However, with the trend of the environmental, social and governance (ESG) movement sweeping the investment world many firms are embracing ESG standards, and a growing number are launching pure impact funds. By already establishing and concentrating on the health focused partnership, it has greatly positioned our Group moving forward and taking advantage this trend.

Leveraging on the data-resources of the Company over the years in China, with experiences in the logistic, media and internet services client base, the Company endeavors to provide, apart from consultancy and capital raising services, a host of ancillary services, including digital value-added services which aim to enhance the value of the Client's operations under management.

Since 2017, our Group has committed in setting up a digital platform that also utilizes our data resources that enables us to provide the digital value-added services to enhance the sales of clients and limited partners of our established partnership in accordance to the private equities rules and regulations of the People's Republic of China. This is a demonstration of the value-added component that our Group is currently employing.

Future planning rests on the followings:

As demonstrated by the following statistics the general demand and market of the private equity sector is growing at a steady rate. According to the statistic published by Asset Management Association of China, the private equity fund market in the PRC has recorded a steady growth in recent years. The number of registered private funds as at 2019 year-end was 81,739, representing an increase of approximately 9.51% as compared to that of 2018 and a compound annual growth rate of approximately 35.77% from 2015 to 2019. The size of asset under management of the registered private fund as at 2019 year-end was approximately RMB13.74 trillion, representing an increase of approximately 7.51% as compared to that of 2018 and a compound annual growth rate of approximately 35.8% from 2015 to 2019.

According to the National Bureau of Statistics of China, the health-related sector in the PRC has recorded a steady growth in the recent years. The per capita health expenditure in the PRC in 2019 was RMB4,237, representing an increase of approximately 11.97% as compared to that of 2018 and a compound annual growth rate of approximately 12.43% from 2015 to 2018. The total health expenditure in the PRC was RMB5,912,190 million, representing an increase of approximately 12.40% as compared to that of 2018 and a compound annual growth rate of approximately 13.0% from 2015 to 2018.

According to the 《「十三五」衛生與健康規劃》 (13th Five-Year Plan for Healthcare*) 《「健康中國2030」規劃綱要》 (Outline of the Healthy China 2030 Plan*) announced by The State Council of the PRC in 2016, the development of healthcare services sector was listed as a priority of the PRC Government. The PRC Government has encouraged the engagement of healthcare services providers by creating a more favorable policy environment for healthcare industry. In 2019, the State Council of the PRC further published 《關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》 (Notice of the Key Task of Deepening the Reform of Medical and Healthcare System in 2019*) to promote and improve the standard of the health-related industry. The sustainable government policy and expansion of healthcare sector are favorable to the development and rapid expansion of health-related industry.

The prospect of 2020 might be clouded by the uncertainties with the global economy still ravaged by corona virus pandemic. However, the Board feels that it is for only on a short-term basis and it has provided the Group with an opportunity to reposition itself to achieve better return for shareholders in the long run. More specifically, the Covid-19 has served as proof that the vision of the Group to focus on the health and wellness sector to be of an accurate path. With the emphasis on the health focused partnership as well as big data management and digital value-added services offered by the Company, it all points towards a mutually promising business for 2020 and years to come in future. In addition, in the long run the Group will expand this business segment, while also monitoring and studying the trend of different industries so as to identify investment potential as well as attract different business partners, subjected to the regulatory constraints facing the Group.

The Group will continue to exert rigorous control over its business operations and strategies, under the substantial risks associated with the economic, and business environment facing the World at this juncture, while the Board's responsibility remains to produce and deliver sustainable value to shareholders, as it guides the Group through these challenging market conditions, for the best interest of shareholders. In addition, 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 long-term sustainable returns to the Company's shareholders.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Deregistration and Winding-Up of various Subsidiaries in the Group

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

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

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Nil

SIGNIFICANT 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 2020, 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\$1.00 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 2020
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Directors						
Mr. Xie Xuan	-	-	51,801,473 <i>(Note 1)</i>	-	51,801,473	25.78%
	-	-	51,801,473	-	51,801,473	25.78%

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.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020
Glamour House Limited	Interest of a controlled corporation (<i>Note 1</i>)	51,801,473	25.78%
Asian Dynamics International Limited	Beneficial owner	51,789,613	25.78%
Century Field Limited	Beneficial owner	27,630,666	13.75%

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 2020, 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 2020 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 2020.

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 2020, except:

- (i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. At present, Mr. Xie Xuan, the chairman of the Company, also undertakes the responsibilities of the chief executive officer until a replacement for the chief executive officer is found. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.
- (ii) 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 2020.

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 seven directors, with four executive directors, namely Mr. Xie Xuan (Chairman), Dr. Feng Ke, Mr. Huang Haitao and Mr. Liao Haifei; and three independent non-executive directors, namely Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi. They are professionals in different areas and provide independent opinions based on their expertise.

Internal Control

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

Audit Committee

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

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 14 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Xie Xuan (Chairman), Dr. Feng Ke, Mr. Huang Haitao and Mr. Liao Haifei; the independent non-executive directors are Mr. Wu Jixue, Mr. Zheng Hongliang and Dr. Wang Yi.

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