

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 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 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.

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
CONTINUING OPERATION					
Turnover	2	4,337	2,268	11,400	12,891
Cost of services		(2,831)	(1,655)	(6,721)	(9,334)
Gross profit		1,506	613	4,679	3,557
Other revenue		82	81	143	307
Staff costs		(705)	(818)	(2,899)	(3,863)
Operating lease rentals		(163)	(296)	(307)	(1,572)
Other operating expenses		(1,327)	(794)	(3,442)	(3,315)
Depreciation and amortization		(1,126)	(151)	(3,400)	(588)
Profit/(Loss) from operating activities		(1,733)	(1,365)	(5,226)	(5,474)
Finance costs		(256)	(262)	(901)	(804)
Loss before taxation		(1,989)	(1,627)	(6,127)	(6,278)
Taxation	3	-	-	-	(65)
Loss for the year		(1,989)	(1,627)	(6,127)	(6,343)
Attributable to: Equity holders of the Company		(1,989)	(1,627)	(6,127)	(6,343)
		(1,989)	(1,627)	(6,127)	(6,343)
Earning/(Loss) per share	4				
– Basic		(0.99) cents	(0.09) cents	(0.81) cents	(0.36) cents
– Diluted		(0.99) cents	(0.92) cents	(3.06) cents	(3.60) cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2020

	Attributable to equity holders of the Company									
	Issued share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Fair value reserve <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <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	-	-	-	-	-	-	(6,343)	(6,343)	-	(6,343)
As at 30 September 2019	176,183	304,371	26,020	(3,699)	-	3,091	(536,470)	(30,504)	(1)	(30,505)
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)	(6,127)	96,148	-	96,148
As at 30 September 2020	200,902	385,018	26,020	(3,566)	162	-	(592,522)	16,014	(1)	16,013

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 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; and excludes intra-Group transactions as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Private Equity Management and Consultancy Fee	3,419	2,268	9,915	12,072
Multi-media and value added service income	918	–	1,485	819
Total turnover	4,337	2,268	11,400	12,891

3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong Tax	–	–	–	–
PRC Tax	–	–	–	65

No Hong Kong profits tax has been provided for the nine months ended 30 September 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 nine months ended 30 September 2020 is based on the net loss from ordinary activities attributable to equity holders of approximately HK\$1,989,000 and HK\$6,127,000 (2019: HK\$1,627,000 and HK\$6,343,000) and the weighted average number of ordinary shares of approximately 200,902,041 and 760,294,107 (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 nine months ended 30 September 2020 is approximately 200,902,041 and 200,090,087 (2019: 176,182,556).

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2020 (2019: 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 2020 was approximately HK\$11,400,000 (2019: HK\$12,891,000) which had decreased by approximately 12% as compared to that of the previous financial year. However, quarterly turnover had improved by 91% compared with the period of last year. Loss of the Group for the nine months ended 30 September 2020 was approximately HK\$6,127,000. Decrease in turnover was attributed by the challenges in the market.

The unaudited consolidated loss from operations, before finance costs and tax, for the nine months ended 30 September 2020 was approximately HK\$5,226,000 which was decreased as compared with the corresponding period last year loss of HK\$5,474,000. The decrease in loss for the period was mainly attributable to the decrease in loss was a combined result for improved operating efficiency as well as tighter controls over cost.

Financial cost

The financial cost of the Group for the nine months ended 30 September 2020 was approximately HK\$901,000 (2019: HK\$804,000) which had increased by approximately 12% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the nine months ended 30 September 2020, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$16,504,000. The Group had a cash balance of approximately HK\$2,745,000.

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

Gearing Ratio

As at 30 September 2020, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 64.98% (2019: 118.90%).

Employee and remuneration policies

As at 30 September 2020, the Group employed a total of 10 employees (as at 30 September 2019: 9), of which 4 were located in Hong Kong, 5 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

The Company had experienced the worst of period since it was listed at the Hong Kong Stock Exchange in 1997. The Hong Kong economy and the financial niches for entrepreneurship that she offers were seriously disrupted because of both the results of demonstration against the government throughout the second half of 2019, coupled with the Sino-American disputes and sanctions imposed unilaterally by the Government of the United States over trades on Hong Kong. Regrettably, the outbreak of pandemic that is ravaging the world's economy since January 2020, which disrupted the cross-border economic activities, had drastically reduced the new initiatives carried out by the Company since the early part of 2019 and brought substantial effects over the business pursuits of the Group.

Following the reopening of the Peoples' Republic of China economic activities within their border during the second half of the year and the recent introduction in Hong Kong of the Limited Partnership Fund Ordinance, the Management have been able to reenergize the Group's pursuits, which commenced about a year ago on a more promising footing, and hopefully, throughout the last quarter of 2020, shall lead to a more prosperous and sustainable operations for the Group for 2021 and onward.

The Company had endeavored to focus over the last two years, on actively optimizing the return or limiting the losses in the private equity services which includes corporate consulting & management services. The Board is pleased and had reported in the past of our success in securing contracts and management services over the bioscience and Chinese medicine sectors, including the branding of the Nobel awarded discovery on malaria for commercialise purposes.

Unfortunately for the Company, the pandemics and the needs to support the PRC government over the fight of the virus, much resources of the intended development Funds under management were directed by the potential investors, for immediate deployment to support the social obligations of the operating units in China by donating the formula drinks to prevent virus. Accordingly, much efforts were devoted towards the ESG responsibilities instead of directing the resources towards the commercialization of the intended products of which using the medial and value-added platform, to generate the much-needed revenue for the Group as a whole.

With the ongoing pandemic that is ravaging the world's economy currently, it has seriously impacted the Groups' Private Equity services during the first three quarters of 2020. As previously announced the Group has set up a health and wellness focused partnership with potential anchor investor and had been in final negotiation with various limited partners, to commit in rolling out a sustainable wellness development fund. However, as reported during the first half of this year, a number of potential limited partners have been more cautious and are taking risk adverse approach to any new investments. However, the Group's management is confident that increasing demand for socially focus impact funds for European and Asian investors, and much of the researched been completed, the commercialization products have greatly positioned our Group moving forward and shall bring meaningful revenues for the years to come, especially when China is pursuing internal consumption strategy to revitalize the PRC economy as a whole.

Leveraging on the data-resources of the Company over these years operating within China, with experiences in the logistics, 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 was consummated and began to roll out in the fourth quarter of 2020 should have complement greatly to the success of the Company's prescribed policy.

Since 2017 as disclosed, our Group has also been 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 partnerships 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 while working hand in hand with the limited partners in value creation.

We are pleased to report as in the first half discussion section, 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, and the Management is confident that the result of 2020 pandemic would benefit greatly to the directions that the Company planned to pursuit since 2019, which aims to provide the growth in enterprise value of ACR in the years to come.

We shall endeavor to pursuit of the sustainable business of the Group towards the mandate of providing better living condition for China's citizens and the universality through international trades through the media platform, and to capitalize on the research and development of the China towards bioscience research and development of the past. The Group will continue to exert rigorous control over its business operations and strategies while the Board's responsibility remains to produce and deliver sustainable value to shareholders, as it guides the Group through these challenging market conditions.

Ever since the opening of the economy by the PRC Government after months of lockdown due to COVID-19, the Group has been embarking to roll out the app-driven influencer management platform- supported by our anchor Partners on the fund management sector, to include the support of 200,000 plus cross-platform influencer data in the Greater Bay Region, to provide services over supply chain system supports, which offer marketing strategy for the Group's service fund management clients, including out of the box marketing solution originated from the past audio-marketing platform, as well as anchor training program and the promotion of regular KOL fans meeting events.

The Board is pleased to report that commencing the last quarter of 2020, we have successfully partnered with a prominent KOL marketing platform via one of the Group's majority-controlled subsidiary, to provide the above structured services. The Board anticipates that with the supply chain finance platform originated from established financial services entities together with the Media development funds that the Group initiated, we shall have a holistic service platform to bring substantial and sustainable service revenues to the Group, including the provision of the newly legislated Limited Partnership management sector for the best interest of the private equities initiatives under management today.

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 meaningful and 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. However, the administrative process has taken too much time, as the legislation which is in existence.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Nil

SIGNIFICANT EVENTS AFTER THE 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 September 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 of the Laws of Hong Kong, (“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 September 2020
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Directors						
Mr. Xie Xuan	-	-	51,801,473	-	51,801,473	25.78%
			(Note 1)			

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 September 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 September 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 September 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 September 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 September 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 September 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 ended 30 September 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 during the period ended 30 September 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 quarterly report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 13 November 2020

As at the date of this report, 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 report 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.