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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report (the "**2019 Annual Report**") of Asian Capital Resources (Holdings) Limited (the "**Company**" and its subsidiaries, collectively referred to as the "**Group**") dated 29 April 2020 in relation to the annual results of the Group for the year ended 31 December 2019 ("**2019 Annual Results**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

Further to the information disclosed in the 2019 Annual Report, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

QUALIFIED OPINION OF THE ESTIMATION OF RECOVERABLE AMOUNT OF GOODWILL OF THE MANAGEMENT AND CONSULTANCY SERVICES SEGMENT OF THE GROUP AS AT 31 DECEMBER 2019

Reasons, details of events and circumstances leading to the qualified opinion

As advised by Cheng & Cheng Limited, the auditors of the Company (the "**Auditors**"), they considered that they were not provided with sufficient appropriate audit evidence on the assumptions made in estimation of the recoverable amount of the related group of cash generating units (i.e. the private investment fund management and consultancy services) (the "**CGU**") in 2019 (the "**Assumptions**").

In year 2019, the Company has successfully entered into three agreements (details of which are summarised below) and provide such agreements to the Auditors in support of the Assumptions:

(i) A signed management and financial advisory agreement (the " **GNSG Agreement**") in relation to the provision of corporate advisory services with 廣東新南方集團有限公司 (Guangdong New South Group Co. Ltd.*) ("**GNSG**"). The advisory fee is RMB2.8 million per quarter. The income from the said agreement is approximately RMB11.2 million per annum with a term from 5 January 2019 to 4 January 2021.

(ii) A signed partnership agreement with 小鴻人(廣州)文化傳媒科技有限責任公司 (Xiao Hong Ren (Guangzhou) Cultural Media Technology Co. Ltd*) ("**XHRM**"). This partnership ("**Partnership I**") will focus on investing and managing e-commerce related business of XHRM where by the Company's subsidiary will act as the general partner and will be received a management fee, being 5% of assets under management, from the limited partners as income. The expected scale of Partnership I will be approximately RMB100,000,000. Based on the expected scale of RMB100,000,000 and 5% management fee, the estimated income per annum is RMB5,000,000.

(iii) A signed partnership agreement with 廣東新南方酒業有限公司 (Guangdong New South Winery Co. Ltd*) ("**GNSW**"). This partnership ("**Partnership II**", together with Partnership I, the "**Partnerships**") will focus on investing and managing the health drink business of GNSW, where by the Company's subsidiary will act as the general partner and will be receive a management fee, being 5% of the assets under management, from the limited partners as income.

Unfortunately, due to the economic uncertainties, in particular the outbreak of global corona virus pandemic which affected the global market in a large extent, it imposes negative impact on investment incentives, hinders the Group from the securing additional limited partners and capital commitment for the Partnerships, and therefore the formal registration and operation of the Partnerships are delayed. Therefore, the Auditors were unable to form a certain and accurate opinion towards the Assumptions made in lack of the formal documents of the registration and operations of the partnerships. However, the Board believes that the aforesaid event is one-off event and the Group will catch up its private equity advisory business as soon as the said event is stablished.

Notwithstanding the fact that the Company provided signed agreements the Auditors had nevertheless requested for more evidences, in particular formal registration and operation of the Partnerships to address the concern on the development of the Partnerships.

Different views between the management of the Company (the "Management") and the Auditors on the recoverable amount of goodwill

It is considered that the different view between the Management and the Auditors arouse from differences in judgment. The Management considers that the Assumptions were reasonable due to the followings:

The prospect of the PRC private equity market is positive

The Management is of the view that the private equity market remains positive and steady. 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 and 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.

Three agreements were signed in year 2019

The Company entered into a total of three agreements in year 2019, which is expected to generate a steady income for the Company, details of which are set out in the section headed "Reason, details of events and circumstances leading to the qualified opinion" above. However, due to recent economic uncertainties, in particular the outbreak of corona virus pandemic, the formal registrations and operation as well as the capital commitment of the partnerships under the partnership agreements are hindered by the aforementioned unforeseeable and exceptional event which is beyond control of the Management. Notwithstanding the above, the Management is of the view that the aforementioned event is one-off and should the situations be stabilized, the partnerships will be formally registered and launched as soon as practicable.

The Audit Committee had noted the audit qualification. After considering and reviewing the bases above, the Audit Committee had agreed with the Board's bases for the use of Assumptions in preforming the goodwill impairment assessment.

Proposed plan for the Company to address the audit qualification

The Company had provided three agreements to the Auditors in support of the Assumptions when finalizing the 2019 Annual Results. However, the Auditors were concerned about the development of the Group's business of private investment fund management and consultancy services in lack of the formal registration and operation of the Partnerships. The Board is of the view that the delay in formal registration and operation of the Partnerships are mainly due to the outbreak of the global corona virus pandemic which is an unexpected, uncontrolled and one-off event. The Board believes that in the absence of such extraordinary event, the Company could register and operate the partnership in a timely manner.

As at the date of this announcement, the Company had successfully entered into two additional management and financial advisory agreements regarding the provision of corporate advisory services with 鄧老涼茶藥業控股有限公司 (Deng's Herbal Tea Pharmaceutical Holdings Ltd*) ("**Deng's Herbal Tea**") in June 2020 and Yifan (Guangzhou) Investment Limited in November 2020. Together with the GNSG Agreement, all of the three management and financial advisory agreements are generating revenue for the Group.

For private equity management services, despite the two partnership agreements with XHRM and GNSW had ceased due to the limited fund sizes, the Company had successfully entered into an additional partnership agreement (the "**Additional Partnership Agreement**") with 廣東新南方青蒿藥業股份有限公司 (GNS Artesunate Pharmaceutical Co. Ltd.*) in June 2020.

However, together with the ongoing partnership agreement entered into with Deng's Herbal Tea in December 2017, the two partnership agreements had yet to generate any revenue for the Group. The Group had registered a limited partnership fund, namely Qinghao Technology Development (Hong Kong) Limited Partnership Fund, with the Companies Registry in Hong Kong pursuant to the Additional Partnership Agreement in accordance with the Limited Partnership Fund Ordinance (the "**LPF Ordinance**"). Moreover, the Group is in the process of finalizing the relevant fund registration documents with Deng's Herbal Tea for establishing a limited partnership fund in accordance with the LPF Ordinance.

Under such circumstances, the Company had continued to explore for new customers during 2020 and endeavor to remove the audit qualification.

IMPAIRMENT LOSS IN RESPECT OF GOODWILL TO THE MANAGEMENT AND CONSULTANCY SERVICES FOR THE YEAR ENDED 31 DECEMBER 2019

Reasons and circumstances leading to recognition of impairment loss in respect of goodwill of the management and consultancy services of the Group

Consistent with the past practice of the Group and in accordance with the relevant requirements of Hong Kong Financial Reporting Standards, for the purpose of preparing the consolidated financial statements for the financial reporting process of the Group, the Company will, after the year end period, compute the value in use and test the goodwill for impairment (if any) of the CGU on an annual basis.

The Company engaged Ascent Partner Valuation Services Limited ("**Ascent Partner**"), an independent professional qualified valuer, to conduct a valuation to determine the recoverable amount of the CGU, which provide private investment fund management and consultancy services for the year ended 31 December 2019 (the "**2019 Valuation**").

The Group was conservative on the development and growth of the private investment fund management and consultancy services in the coming years due to the economic uncertainties, including the (i) social unrest in Hong Kong, (ii) ongoing trade war between China and the United States of America and (iii) outbreak of global corona virus pandemic which affected the global market in a large extent. Therefore, the Group assumed smaller growth on the forecasted revenue resulting in decreasing FCFFs and lower terminal value under 2019 Valuation and thus, an impairment loss of goodwill of approximately HK$47,996,000 was recognised.

Qualification of Ascent Partners

Ascent Partners was founded in September 2008, with one of its primarily businesses providing different valuation services including but not limited to: (i) business entity/equity valuation; (ii) intangible asset valuation; (iii) financial instrument valuation; (iv) property, plant & machinery valuation; and (v) natural resources & biological asset valuation, servicing over 300 listed companies, multi-national firms, and state-owned enterprises, and covering dozens of industries such as manufacturing, pharmaceutical, software and etc.

The undersigned person of the report of the 2019 Valuation, namely Mr. Paul Wu ("**Mr. Wu**"), holds a Master degree of Science from Simon Fraser University in Canada. Mr. Wu is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Mr. Wu has been practicing valuation for financial reporting purpose since 2008.

Value of inputs and methodology adopted in assessing the impairment loss

The 2019 Valuation was developed through the application of the weighted-average-cost-of-capital ("**WACC**") to discount the future free cash flows to the firm ("**FCFFs**") expected to be derived from the assets.

Set out below are the value of major inputs of the for the valuation performed by Ascent Partner for the CGUs for the year ended 31 December 2018 (the "**2018 Valuation**") and for the year ended 31 December 2019:

	2019 Valuation	**2018 Valuation**
Calculation of WACC		
Cost of equity	22.13%	24.97%
Cost of debt	4.90%	4.90%
Weight of equity value of enterprise value	78.68%	65.51%
Weight of debt value of enterprise value	21.32%	34.49%
Corporate Tax Rate	25.00%	25.00%
WACC	18.20%	17.63%
FCFFs	*(Approximate HK$'000)*	*(Approximate RMB'000)*
31 December 2019	N/A	6,734
31 December 2020	6,177	3,794
31 December 2021	6,949	5,659
31 December 2022	7,318	10,249
31 December 2023	7,220	15,135
31 December 2024	6,512	N/A
Present value of FCFFs	*(Approximate HK$'000)*	*(Approximate RMB'000)*
31 December 2019	N/A	6,209
31 December 2020	5,681	2,742
31 December 2021	5,407	3,771
31 December 2022	4,818	5,806
31 December 2023	4,021	7,290
31 December 2024	3,069	N/A
Total (A)	**22,997**	**25,819**
Terminal growth rate	2.23%	2.61%
Terminal value	HK$39,937,587	RMB110,107,332
Present value of the terminal value (B)	HK$18,820,695	RMB53,033,727
Valuation of value in use for the CGU (A+B) (Rounded to the nearest million)	**HK$41,800,000**	**RMB79,000,000**

Major components that determine the FCFFs for the 2019 Valuation

The major components that determine the FCFFs for each of the 2019 Valuation are revenue, cost of sales, operating expense and corporate tax.

		Major bases and assumptions 2019 Valuation
The forecasted revenues was determined by:	–	The three signed agreements in year 2019
The forecasted costs of sale were determined by:	–	In the coming years, the Company will recruit more professional staffs instead of outsourcing the services. Therefore, the Company would not record any cost of sale.
The forecasted operating expenses were determined by:	–	Amounts of historical operating expense of the Group recorded for year ended 31 December 2019 and the increase in operating expenses on recruiting professional staffs in the coming years.
The forecasted corporate taxes were determined by:	-	Corporate income tax imposed in the PRC (i.e. 25%)

General Assumptions under each of the 2018 Valuation and the 2019 Valuation

Set out below is the general assumptions under the 2018 Valuation and the 2019 Valuation:

(a) Ascent Partner have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the CGU;

(b) Ascent Partner has not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and they assumed that the prospective earnings would provide a reasonable return on the fair value of the assets;

(c) Ascent Partner has not visited the premises where the CGU business operates. They have relied on the assistance of and information provided by the Company and the CGUs but has not verified the existence of the assets concerned;

(d) As part of Ascent Partner's analysis, they have reviewed the information related to the 2018 Valuation and the 2019 Valuation, which was made available to them. They have no reason to doubt the accuracy and fairness of such information on which they have relied to a considerable extent in arriving at their opinion of value;

(e) The average of inflation rates from 2008 to 2017 and 2009 to 2018 of the PRC were employed as the terminal growth rate for the 2018 Valuation and the 2019 Valuation, respectively. According to Bloomberg, the average of the consumer prices index from 2008 to 2017 in the PRC was 2.61%, the average of the consumer prices index from 2009 to 2018 in the PRC was 2.23%.

Subsequent changes in the valuation method

It is considered that save for the FCFFs, the major inputs and assumptions adopted for the 2018 Valuation and 2019 Valuation did not have material changes.

The change of the FCFFs were mainly attributed to the Group's conservative view on the development and growth of the private investment fund management and consultancy services in the coming years due to the economic uncertainties, including the (i) social unrest in Hong Kong, (ii) ongoing trade war between China and the United States of America and (iii) outbreak of global corona virus pandemic which affected the global market in a large extent. Therefore, the Group assumed smaller growth on the forecasted revenue, resulting in decreasing FCFFs and lower terminal value under 2019 Valuation.

As set out in the section headed "Value of inputs and methodology adopted in assessing the impairment loss" above, the short term FCFFs under the 2019 valuation is higher than that under the 2018 valuation, which are mainly due to the absence of cost of services under the 2019 Valuation as the Company would recruit more professional staffs instead of outsourcing the services. While the long term FCFFs under the 2019 Valuation is lower than that under the 2018 Valuation, which are mainly due to lower, and smaller growth on, forecasted revenue as a result of economics uncertainties as explained above.

CONSULTANCY SERVICES SEGMENT

The Company would like to supplement that, at the time of preparing the 2019 Annual Report, the Board took the view of the valuation report when assessing the impairment of the goodwill, thus agreeing with an impairment loss of approximately HK$47,966,000.

By order of the Board of
Asian Capital Resources (Holdings) Limited
Xie Xuan
Executive Director

Hong Kong, 4 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Xie Xuan (Chairman), Mr. Qiu Yue, 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, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

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.

* *For identification purpose only*