



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

INTERIM RESULTS ANNOUNCEMENT **(For the six months ended 30 June 2018)**

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, Dr. Feng Ke, Huang Haitao and Liao Haifei; 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 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

		For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONTINUING OPERATION					
Turnover	2	7,906	3,320	13,041	6,120
Cost of services		(6,917)	(139)	(10,567)	(139)
Gross profit		989	3,181	2,474	5,981
Other revenue		19	36	111	110
Interest income		–	27	–	27
Staff costs		(1,867)	(866)	(4,350)	(1,675)
Operating lease rentals		(456)	(378)	(769)	(654)
Other operating expenses		(955)	(1,639)	(2,207)	(2,996)
Depreciation and amortization		(161)	(102)	(325)	(249)
Gain/(Loss) from operating activities		(2,431)	259	(5,066)	544
Finance costs		(129)	(262)	(400)	(519)
Gain/(Loss) before taxation		(2,560)	(3)	(5,466)	25
Taxation	3	(48)	–	(48)	–
Profit/(Loss) for the period		(2,608)	(3)	(5,514)	25
Attributable to:					
Equity holders of the Company		(2,608)	6	(5,514)	41
Non controlling interest		–	(9)	–	(16)
		(2,608)	(3)	(5,514)	25
Profit/(Loss) per share					
– Basic	4	(0.65) cents	0.000 cents	(0.31) cents	0.002 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2018 <i>HK\$'000</i>	Audited As at 31 December 2017 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	2,558	2,795
Goodwill	135,618	135,618
Interest in associate	5,101	5,018
Available-for-sale investments	769	769
Amount due from an investee company	109	109
	144,155	144,309
Current assets		
Trade and other receivables	25,694	40,350
Cash and bank balances	16,404	11,486
	42,098	51,836
Current liabilities		
Trade and other payables	128,850	133,283
Amounts due to associates	980	980
Obligations under finance leases	300	300
Tax payable	3,941	3,893
Amount due to a director	3,167	–
	137,238	138,456
Net current (liabilities)	(95,140)	(86,620)
Total assets less current liabilities	49,015	57,689
Non current liabilities		
Amount due to a director	–	3,404
Amount due to a substantial shareholder	24,938	24,544
Obligations under finance leases	375	525
	25,313	28,473
Net assets	23,702	29,216
Capital and reserves		
Share capital	176,183	176,183
Reserves b/f	(152,481)	(146,966)
Equity attributable to shareholders of the Company	23,702	29,217
Non Controlling interests	–	(1)
Total equity	23,702	29,216

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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>	Accumulated Profit/ (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 2017	176,183	304,371	26,020	(3,722)	(416,038)	86,814	(15,670)	71,144
Movement of the period	-	-	-	-	41	41	(16)	25
As at 30 June 2017	176,183	304,371	26,020	(3,722)	(415,997)	86,855	(15,686)	71,169
As at 1 January 2018	176,183	304,371	26,020	(4,613)	(472,744)	29,217	(1)	29,216
Movement of the period	-	-	(1)	-	(5,514)	(5,515)	1	(5,514)
As at 30 June 2018	176,183	304,371	26,019	(4,613)	(478,258)	23,702	-	23,702

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	30/06/2018 <i>HK\$'000</i>	30/06/2017 <i>HK\$'000</i>
From Operation Activities		
Loss per report	(5,514)	25
Adjustment for:		
Depreciation and Amortisation	<u>325</u>	<u>249</u>
	325	249
(Increase) / Decrease in Trade and Other Receivables	14,656	17,578
(Decrease) / Increase in Trade and Other Payables	(4,433)	(920)
Decrease in obligation under Finance lease	(150)	(150)
Tax Provision	48	–
	<u>10,121</u>	<u>16,508</u>
	4,932	16,782
From Investing Activities		
Purchase of equipment including system upgrade	(88)	–
Investment in associate	(83)	(165)
	<u>(171)</u>	<u>(165)</u>
Net cash inflow/(outflow) before financing activities	4,761	16,617
From Finance Activities		
Decrease in director account	(237)	(1,500)
Advance from substantial shareholder	394	514
	<u>157</u>	<u>(986)</u>
	<u>4,918</u>	<u>15,631</u>
Bank as at 01/01/2018 & 2017	<u>11,486</u>	<u>5,597</u>
Bank as per 30 June	<u>16,404</u>	<u>21,228</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 2017.

2. TURNOVER

The Group’s turnover represents the invoiced value 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	
	2018	2017	2018	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Management and consultancy services	7,906	3,320	13,041	6,120
Total turnover	7,906	3,320	13,041	6,120

- (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, private investment fund management and consultancy services.

(b) *Geographical segments*

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Turnover		
Hong Kong	–	–
The PRC	13,041	6,120
	<hr/>	<hr/>
	13,041	6,120
	<hr/>	<hr/>

3. **TAXATION**

	For the three months ended 30 June		For the six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong profits tax	–	–	–	–
PRC income tax	48	–	48	–
	<hr/>	<hr/>	<hr/>	<hr/>
	48	–	48	–
	<hr/>	<hr/>	<hr/>	<hr/>

No Hong Kong profits tax has been provided for the six months ended 30 June 2018 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 2018 is based on the net loss from ordinary activities attributable to equity holders of HK\$2,608,000 and HK\$5,514,000 respectively (2017: Profit of HK\$6,000 and HK\$41,000) and the weighted average number of ordinary shares of approximately 1,761,825,563 (2017: 1,761,825,563) during the periods.

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Trade receivables	8,048	23,083
Prepayments, deposits and other receivables	17,646	17,267
	<hr/> 25,694	<hr/> 40,350

6. TRADE PAYABLES

	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Trade payables	–	878
Accruals and other payables	128,850	132,405
	<hr/> 128,850	<hr/> 133,283

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 2018 (2017: 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 2018 was approximately HK\$13,041,000 (2017: HK\$6,120,000). The unaudited consolidated loss from operations for the six months ended 30 June 2018 was approximately HK\$5,066,000 which as compared with figure of last year corresponding period of profit HK\$544,000. Loss for the six months ended 30 June 2018 was approximately HK\$5,514,000 as compared to 2017's profit of HK\$25,000.

Financial cost

The financial cost of the Group for the six months ended 30 June 2018 was approximately HK\$400,000 (2017: HK\$519,000) which was decreased by approximately 22.93% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2018, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$24,938,000. The Group had a cash balance of approximately HK\$16,404,000.

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 2018 was HK\$176,182,556 (2017: HK\$176,182,556).

Gearing Ratio

As at 30 June 2018, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 83.56% (2017: 62.3%).

Employee and remuneration policies

As at 30 June 2018, the Group employed a total of 19 employees (as at 30 June 2017: 9), of which 4 were located in Hong Kong, 14 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 has been focused on actively consolidating, developing and expanding businesses in the capital management services for both onshore and offshore. The private equity services have been slowed due to the overall challenging PRC private equity industry as well as regulatory changes, which the Company has been endeavoured to receive our operations to comply. By way of ascertaining revenue by the services provided and other assets from the group 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.

The Board, looking forward, views that by concentrating on providing our services and expanding to different sectors will enhance the company's incremental business and the future value of the company.

Capital Management Services

With the event of the trade war, it has caused a challenging outlook for the ongoing Chinese and global economic growth, the Group will continue to exert rigorous control over its business operations and strategies, with aims to safeguard the shareholders' assets, and be prudent and risk averse.

In general the Group concentrated on both the capital management services and private equity management services. The Group has continued to increase its personnel resources. Additional senior executives have been recruited to join the Group which enabled us to further enhance our services provided. Notably Mr. Hai Tao Huang, who joined the Group as Vice President. Mr. Huang has over 18 years of experience positioned as an executive in major PRC conglomerates specializing in industries that ranges from real estate to logistics. Another Vice President, Mr. Haifei Liao was joined the Group. Mr. Liao has more than 17 years of experience in commercial and industrial real estate marketing promotion, operation management planning and other frontline practices. Further, he is also experienced in pre-admission evaluation and post-investment management of domestic pan-entertainment and Internet business.

The addition of traditional media content and internet content production management company to the Group has also broaden the spectrum of the capital management services that the Group offers, which shall enhance the value of the partnerships under management and provide more strategic media exposures. With technology and media being one of the more active industries within PRC recently, the capital management services covering the media sector proved to be in demand and the company have been able to capture this opportunity.

Private Equity Management Services

Uncertainties caused by the trade war between China and the US have further affected outbound investments. The market has been proceeding with extra caution and have been waiting for the outcome of the trade dispute, which may slow down general global and China outbound M&A activity. The US was one of the largest destinations for Chinese outbound M&A transactions in 2017. However, tight security reviews by the Committee on Foreign Investment in the US and the US government's ambivalent attitude towards Chinese investment may impact future outbound investments by Chinese companies. Various protection policies may also hinder Chinese acquisitions of sensitive M&A targets in the US.

As a result, it has negatively affected the demand for our offshore private equity management services since it had mainly focused on outbound direct investments. Consequently of the global market conditions the management have scaled down on the offshore private equity management services and have started to refocus on the onshore private equity management services. Currently the company is been concentrating on potential private equity portfolio that has a focus on the new economy.

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.

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

On 9 August 2018, the board of directors of the Company appointed Mr. Huang Haitao and Mr. Liao Haifei as Executive Directors of the Company.

Mr. Huang Haitao (黃海濤先生), aged 39, graduated from Guangzhou University (Evening College) with major in Engineering Management.

Mr. Huang has more than 18 years of large-scale real estate projects engineering construction and management experience. In recent years, he has been involved in investment and financing and resource integration practices in industrial investment.

Mr. Huang did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas, in the last three years nor does he hold any other position with the Company or any of its subsidiaries. As at the date of this announcement, Mr. Huang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Liao Haifei (廖海飛先生), aged 39, graduated from South China Normal University and holds a bachelor's degree in economics from the School of Economics and Management. He then studied project management at Lingnan College of Sun Yat-Sen University.

Mr. Liao has more than 17 years of experience in commercial and industrial real estate marketing promotion, operation management planning and other frontline practices. He has in depth involvement in over 15 projects with aggregated floor area of more than 10 million square meters. He is also experienced in pre-admission evaluation and post-investment management of domestic pan-entertainment and Internet business.

Mr. Liao did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas, in the last three years nor does he hold any other position with the Company or any of its subsidiaries. As at the date of this announcement, Mr. Liao does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

A letter of appointment has been entered into between the Company and each of Mr. Huang and Mr. Liao in respect of their appointment as Executive Director for a fixed term of 2 years with effect as of today. Their directorships are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Huang and Mr. Liao will hold office until the next following annual general meeting of the Company and will be eligible for re-election at such annual general meeting in accordance with the articles of association of the Company. Each of Mr. Huang and Mr. Liao is entitled to receive a remuneration of HK\$240,000 per annum which is recommended by the remuneration committee of the Company and approved by the Board with reference to his duties and responsibilities with the Company.

Save as disclosed above and as far as the Board is aware, there is no information relating to Mr. Huang and Mr. Liao that are required to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules and the Board is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in connection with the appointment of Mr. Huang and Mr. Liao.

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 2018, 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 2018
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Directors						
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 2018, 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 2018, 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 2018
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 2018, 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 2018 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 2018.

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 2018, 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 2018.

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 eight Directors, with five executive Directors, namely Mr. Xie Xuan (Chairman), Mr. Qiu Yue, Dr. Feng Ke, Huang Haitao and 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 report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 14 August 2018