



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

**(Stock Code: 8025)**

**Interim Report 30 June 2022**

## **CHARACTERISTICS OF 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.*

## CONTENTS

	Page
Corporate Information	3
Chairman's Statement	4
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Unaudited Condensed Consolidated Statement of Financial Position	12
Unaudited Condensed Consolidated Statement of Changes in Equity	14
Unaudited Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Interim Financial Statements	17
Management Discussion and Analysis	21
Corporate Governance and Other Information	24

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Lu Yongde (*Chairman*)

Mr. Xie Xuan

Dr. Feng Ke

Mr. Huang Haitao

#### **Independent Non-executive Directors**

Mr. Wu Jixue

Mr. Zheng Hongliang

Dr. Wang Yi

### **COMPLIANCE OFFICER**

Mr. Xie Xuan

### **AUDIT COMMITTEE**

Dr. Wang Yi (*Chairman*)

Mr. Wu Jixue

Mr. Zheng Hongliang

### **REMUNERATION COMMITTEE**

Mr. Wu Jixue (*Chairman*)

Mr. Xie Xuan

Mr. Zheng Hongliang

### **NOMINATION COMMITTEE**

Mr. Zheng Hongliang (*Chairman*)

Mr. Xie Xuan

Dr. Wang Yi

### **COMPANY SECRETARY**

Ms. Ying Yuk Sim

### **AUTHORISED REPRESENTATIVE**

Mr. Xie Xuan

Ms. Ying Yuk Sim

### **AUDITORS**

CHENG & CHENG LIMITED

### **SOLICITORS**

As to Cayman Islands Law

Conyers Dill & Pearman

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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27, Hillier Street

Sheung Wan

Hong Kong

### **REGISTERED OFFICE**

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P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### **HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE**

Hong Kong Registrars Limited

Level 46, Hopewell Centre

183 Queen's Road East

Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Suntera (Cayman) Limited

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Cayman Islands

### **WEBSITE**

[www.airnet.com.hk](http://www.airnet.com.hk)

### **STOCK CODE**

08025

## CHAIRMAN'S STATEMENT

### Dear Shareholders of the Group,

To comply with the best practice of any listed issuer, the Board is mindful to the two aspects of the management of every listed company, being the management of the Board and the day-to-day management of business. To continue as a sustainable organization, and in particular when the Company faced numerous restructuring hurdles, as a result of the overall economic condition of the business World during the current three years, affecting without exceptions, the operations of many Hong Kong listed companies, together with the political and regulatory changes that many enterprises faced, irrespective of the business sector they are engaged in. As a result, the Company's Board and Management made a very decisive commitment that for the best interest of the shareholders of the Group, we shall endeavor, no matter how difficult, to revitalize the operations of the Group, together with complying to the strictest sense possible to all Rules and Regulations of the People's Republic of China, and that of Hong Kong SAR to the best of their ability, in order to pursue application for resumption of the shares of the Company at the earliest possible juncture.

The role of Chairman and chief executive should be separate and should not be performed by the same individual, and in view of the continuous responsibility to act to the best interest of shareholders by engaging in working towards the resumption of trading in the Shares, with an aim to improve the business operation and financial position of the Group to address matters set out in the Resumption Guidance. I was elected to the role of Chairman of the Board on June, 2022, leaving the former chairman and chief executive, Mr. Xie to pursue the business strategy, determined by the Board and Management over the media and consulting operations of the Group, to achieve the intended milestones, and strategy for reaching sufficient assets and sufficient operations criteria as lay-down by the Listing division of the Stock Exchange, over the resumption of the shares so that shareholders, and in particular, the minority shareholders of the company, in determining whether they should continue supports, or to dispose of, by way of free-trading of their interest of the Company, and/or to support the business strategies adopted by the Management over the transformation process, in compliance to the changes in rules and regulations of the jurisdictions, which the Company was engaged in for the past five years, without cessation.

As reporting Chairman for the first time after election, I am pleased to provide the business strategies, taken by the Group for continuous operations, and the strategy adopted towards the resumption of the trade of the shares at the Hong Kong Stock Exchange Limited, GEM Board.

## **General Economic condition throughout the first 6 months of 2022**

As reported by Bloomberg, China's economy contracted sharply in the second quarter, highlighting the colossal toll on activity from widespread COVID lockdowns and pointing to persistent pressure over coming months from a darkening global growth outlook. Hong Kong fair no better as a result of the pandemic hitting the City throughout late February to July, and from the pessimistic forecast of the local HKSAR's government.

Data published on 13th July, 2022 comes at a time of fears of a global recession as policymakers jack up interest rates to curb soaring inflation, heaping more hardship on consumers and business worldwide as they grapple with challenges from the Ukraine war and supply chain disruptions.

Gross domestic product of China fell 2.6% in the second quarter from the previous quarter, official data showed, compared with expectations for a 15% decline and a revised 1.4% gain in the previous quarter. According to a Reuters poll of analysts, a sharp slowdown from 4.8% in the first quarter.

Reuter's reported that "China's economy has stood on the edge of falling into stagflation, although the worst is over as of the May-June period". The group experienced the most challenging operational condition throughout the second quarter of 2022, and has recorded a reduction of revenue, together with many delays of entering consultation and asset management initiatives for the Group. According to the CATO Journal report, during the first half-year of 2022, Hong Kong slipped and lost its standing to Singapore in financial services. Meanwhile, Hong Kong is no longer the third largest financial center in the World and fell to sixth place. In addition, Fitch and Moody's have downgraded Hong Kong's credit rating twice since September 2019.

Although we should not be overly concerned about these downgrades in the short-run, international rating and research agencies do point to the difficulties and challenges facing Hong Kong in maintaining its status as an international financial center.

### **Consulting and Asset Management operations:**

The Company has been pursuing consultancy and asset management services contracts over the last three years by promoting Hong Kong as an indispensable window through which China absorbs foreign investment and new technology. In addition, the freedom of travel and years of experience of the Executives on overseas transactions, are well positioned the group to provide services to Chinese global enterprises, to expand and negotiate offshore, for their products and services over in Africa and Europe, particular to one of our major engagement, relating to Nobel related Traditional Chinese Medicine. The lockdown and most citing international travel restrictions of Hong Kong since 2020 have prevent our Chinese biotechnology and production corporation to reconsider the feasibilities of their continuous overseas expansion, and had decided in the second-quarter of 2022 to pursue public fund raising and consultative services in the lucrative capital market within China instead, which has shown more promising following the United States trade and investments restrictions imposing on innovative and technology counters to pursue business in America, with additional influence over the EU Countries, following the Ukraine War with Russia.

Critical review process by the Group Management had taken place in the 2nd quarter of 2022 as a result of the above analysis, and find that the Group's strength was primarily on the project management and consulting services in the real estate sector. Despite our scepticism over the change of regulation in this area since 2018 and the risk concerns over the real estate sector, which has proven with merits by the reports of crises encountered by many of the real estate companies in PRC and the recent failure of even major real estate conglomerates, as a result of the regulatory imposed over lending and mortgage provision by the PBC recently.

In April 2017, President Xi chaired a special meeting on financial risks for the politburo that included the Governor of the People's Bank of China and the heads of all the financial regulatory agencies, In July 2017, a new government body, the Financial stability and Development Committee, was announced to manage risks across the financial system and coordinate the activities of the various financial regulators.

The financial crackdown that began unfolding in 2016 and 2017 had a profound impact on the Chinese economy as well as the consulting businesses of the Group. The banking industry had adopted stricter rules to limit shadow banking activities and reduce the amount of regulatory arbitrage occurring through the interbank market. The insurance industry was subject to a regulatory clampdown on the sale of insurance products that acted as vehicles for financial speculation rather than for insuring risk. The asset management industry was forced new rules to reduce risks in wealth management products and other new financial products. The structure of the regulatory system was given a massive shakeup in 2018 when the banking and insurance regulatory agencies were combined into a single, more powerful regulator.

The result of the risk management policies taken by the Central Governments led to many real estate conglomerates defaulted on their financing, or even have to ceased developments as a result. As I was continuously engaging in providing consultation and asset restructuring projects in PRC for the last five years, and when approached by Mr. Xie, the former chairman and the current Chief Executive to partner in revitalizing the consulting sector of the Group, which had in the past demonstrated vast potential, but was carefully avoided by the Group, due to the bubble circumstances during the past three years of economic cycle that were characterized by the rapid escalating of market value in this sector. We have seen a more regulated and controlled condition for the sustainable developments during the last 3 months and therefore, I have great confidence and especially during the current business environment, whereby the need of experienced and knowledgeable consultation and asset management expertise are well sought of, which will contribute greatly, to the sustainable developments of the sector in the near future, at worst.

Based on current pipeline of negotiated consultation contracts, the Group has great confidence to secure in the short-term a level of no less than RMB 10 million in such contracts, with assets under management of no less than RMB 3 billion in no longer than two years horizon.



### **Media and the internet e-commerce and marketing services:**

The digital transformation plan adopted by the Group since the first quarter of 2021, outlines the challenges business leaders in the e-commerce sector face throughout the process of transformation and focuses on the most important, three critical areas of opportunity:

- (1) Realigning business and operating architecture to focus on customer value;
- (2) Creating an agile and responsive organization and
- (3) Mobilizing technology to be a core competency and differentiator.

The group, through the diligent commitment by the media executives, had successfully delivered sixteen e-commerce shops, and relationship with prominent social media to market and deliver the services as requested by the retail customers, and the SME manufacturing brands, which we serve for both marketing, the KOLs services, and the eco-system services, achieving a sum of approximately RMB 120 million for the nine months to 31<sup>st</sup> December, 2021, for merchandise sales, with great success.

However, due to the fact that the Hong Kong Financial Reporting Standards 15 stipulated certain criteria, that might not be attained by the eco-system of the e-commerce and KOLs services, the revenue recognized was drastically reduced due to such classification following the audit of the financial year for the year ended 31<sup>st</sup> December, 2021 in March of 2022.

As a result of the different of accounting standards between PRC and Hong Kong, the group was in continuous discussion with a number of SME enterprises, to restructure the service contracts, in order to comply with the HKFRS 15 and align seamlessly with the recognition standards as stipulated by the PRC tax and accounting authority, in order not to commit any irregular in the Group core services within the Media and marketing consulting services.

I am glad to report that with the devotion and dedication of the Chief Executive together with his team of professional, the Group is confident to continue the revenue drive towards RMB 200 million to RMB 250 million in Revenue for the year ending 30<sup>th</sup> June, 2023, and a cash-flow amount of no less than RMB 200 million within the Media Sector each year. Regrettably due to the changes and the adverse operational environment experienced in many Cities of China, due to lockdown, and restrictions of deliveries, the media group had not been able to achieve the anticipated volume for the 2<sup>nd</sup> quarter of 2022, as in many similar operations which had been affected to the health crises, which caused by the resurgence of the virus in different forms from time to time. Nevertheless, the July Sales had shown have promising when recovery continuous.

**Conclusion:**

As the Group's new Chairman, I am grateful to the supports given to the Group during the challenging periods of the last three years, and the financial difficulty that the Group faced due to the suspension of trading of the Company. I am pleased to experience the support of shareholders at the last Annual General Meeting of the Company, and the confident that they have expressed in voting to my appointment, and I am sure that the Executives of the Company will discharge their duty in utmost good faith to rejuvenate the operations of the Group to levels, meeting the resumption criteria as stated by the Hong Kong Stock Exchange shortly, and I shall lead the Group in sustainable and profitable business pursuits for the best interest of the Company in the very near future.

We shall continuous to update shareholders of the resumption progress and the achievements of the business operations, which will ensure the sustainability prospect of the Group's business in due course.

**Lu Yongde**

*Chairman*

Hong Kong

15 August 2022

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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 2022 together with the comparative figures for the corresponding periods in 2021 as follows:

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	3,185	7,361	13,375	14,150
Cost of services		(20)	(356)	(5,782)	(3,178)
Gross profit		3,165	7,005	7,593	10,972
Other revenue		45	314	46	439
Staff costs		(1,096)	(3,082)	(2,154)	(5,163)
Operating lease rentals		(64)	(394)	(102)	(885)
Other operating expenses		(1,430)	(4,298)	(3,189)	(6,054)
Depreciation and amortization		(88)	(267)	(176)	(525)
Gain on disposal of subsidiaries		—	—	1,345	—
Written off amount due from an investee company		(596)	—	(596)	—
Profit/(Loss) from operating activities		(64)	(722)	2,767	(1,216)
Finance costs	9	(46)	(263)	(86)	(490)
Profit/(Loss) before taxation		(110)	(985)	2,681	(1,706)
Taxation	3	—	—	—	—
Profit/(Loss) for the period		(110)	(985)	2,681	(1,706)

	For the three months ended 30 June		For the six months ended 30 June		
	2022	2021	2022	2021	
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Attributable to:					
Owners of the Company	(112)	1,655	2,652	1,856	
Non controlling interest	2	(2,640)	29	(3,562)	
	(110)	(985)	2,681	(1,706)	
Earnings/(Loss) per share					
Basic and diluted	4	(0.06) cents	0.82 cents	1.32 cents	0.92 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,250	1,301
Right-of-use assets		266	388
Goodwill		5,000	5,000
Interests in associates		5,391	5,392
Amount due from an investee company		—	596
Rental deposit		72	72
		<b>11,979</b>	12,749
<b>CURRENT ASSETS</b>			
Inventories		152	152
Trade and other receivables	6	24,233	21,509
Cash and cash equivalents		1,140	4,681
		<b>25,525</b>	26,342
Assets classified as held for sale		—	5,854
		<b>25,525</b>	32,196
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	19,137	21,531
Amounts due to associates		3,056	3,021
Lease liabilities		251	244
Tax payable		3,494	3,494
		<b>25,938</b>	28,290
Liabilities directly associated with assets classified as held for sale		—	12,803
		<b>25,938</b>	41,093

	<b>Unaudited</b> <b>As at 30</b> <b>June 2022</b> <b>HK\$'000</b>	Audited As at 31 December 2021 <i>HK\$'000</i>
<i>Notes</i>		
<b>NET CURRENT LIABILITIES</b>	<b>(413)</b>	(8,897)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>11,566</b>	3,852
<b>NON-CURRENT LIABILITIES</b>		
Amount due to a director of the Company	<b>8,450</b>	6,254
Amount due to a substantial shareholder	<b>2,782</b>	2,781
Lease liabilities	<b>21</b>	149
	<b>11,253</b>	9,184
<b>NET (LIABILITIES)/ASSETS</b>	<b>313</b>	(5,332)
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>20,091</b>	20,091
Reserves	<b>(18,931)</b>	(21,583)
(Capital deficiency)/Equity attributable to owners of the Company	<b>1,160</b>	(1,492)
Non-controlling interests	<b>(847)</b>	(3,840)
<b>TOTAL (CAPITAL DEFICIENCY)/EQUITY</b>	<b>313</b>	(5,332)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June 2022

	Attributable to owners of the Company									
	Issued Share Capital	Share Premium	Capital Reserve	Translation Reserve	Fair value reserve	Convertible bonds equity Reserve	Accumulated Losses	Total	Non-Controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
As at 1 January 2021	200,902	385,212	26,020	(4,232)	(134)	—	(598,664)	9,104	1,799	10,903
Movement of the period	(180,812)	—	180,812	—	—	—	1,856	1,856	(3,562)	(1,706)
<b>As at 30 June 2021</b>	<b>20,090</b>	<b>385,212</b>	<b>206,832</b>	<b>(4,232)</b>	<b>(134)</b>	<b>—</b>	<b>(596,808)</b>	<b>10,960</b>	<b>(1,763)</b>	<b>9,197</b>
As at 1 January 2022	20,091	385,212	206,831	(4,171)	(164)	—	(609,291)	(1,492)	(3,840)	(5,332)
Movement of the period	—	—	—	—	—	—	2,652	2,652	2,993	5,645
<b>As at 30 June 2022</b>	<b>20,091</b>	<b>385,212</b>	<b>206,831</b>	<b>(4,171)</b>	<b>(164)</b>	<b>—</b>	<b>(606,639)</b>	<b>1,160</b>	<b>(847)</b>	<b>313</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	<b>2,681</b>	(1,706)
Adjustments for:		
Interest income	(2)	(1)
Finance costs	<b>86</b>	490
Depreciation of property, plant and equipment	<b>51</b>	390
Depreciation of right-of-use assets	<b>122</b>	135
Written off of amount due from an investee company	<b>596</b>	578
Gain on disposal of subsidiaries	<b>(1,345)</b>	—
<hr/>		
Operating cash flows before changes in working capital	<b>2,189</b>	(114)
(Increase)/decrease in trade and other receivables	<b>(2,724)</b>	(4,379)
Increase in inventories	—	(261)
Increase/(decrease) in trade and other payables	<b>(5,034)</b>	8,293
<hr/>		
Cash generated from/(used in) operations	<b>(5,569)</b>	3,539
Income tax paid	—	—
Interest received	<b>2</b>	1
<hr/>		
Net cash generated from/(used in) operating activities	<b>(5,567)</b>	3,540
<hr/>		



	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	—	(9,269)
Advances to associates	<b>35</b>	(10)
Net cash (used in)/generated from investing activities	<b>35</b>	(9,279)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment to)/advance from a director of the Company	<b>2,119</b>	(47)
(Repayment to)/net advance from a substantial shareholder	<b>1</b>	(487)
Advances from/(to) associates	<b>1</b>	157
Lease liabilities repayment	<b>(121)</b>	(139)
Interest paid for leasing liabilities	<b>(9)</b>	(3)
Net cash (used in)/generated from financing activities	<b>1,991</b>	(519)
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,541)</b>	(6,258)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>4,681</b>	7,061
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>1,140</b>	803

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 general 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 2021.

### 2. REVENUE

The Group’s turnover represents the invoiced value of service fees from the provision of management and consultancy services, media service income and marketing services and sales income as follow:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Consultancy fee	<b>3,016</b>	6,264	<b>9,280</b>	12,528
Media service income	<b>169</b>	462	<b>1,381</b>	473
Advertising income	—	303	—	623
Marketing services and sales income	—	332	<b>2,714</b>	526
	<b>3,185</b>	7,361	<b>13,375</b>	14,150

- (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**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
The PRC and outside of Hong Kong	<b>13,375</b>	14,150

**3. TAXATION**

No Hong Kong profits tax and PRC income tax has been provided for the six months ended 30 June 2022 as the Group had no assessable profits for the period. (2021: Nil)

**4. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings per share for the three months and six months ended 30 June 2022 is based on the net profit/(loss) attributable to owners of the Company of approximately net loss of HK\$112,000 and net profit of HK\$2,652,000 (2021: net profit of approximately HK\$1,655,000 and HK\$1,856,000) and 200,902,041 ordinary shares (2021: 200,902,041) during the periods.

**5. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2022, the Group has not incurred expenditures on additions to property, plant and equipment (2021: approximately HK\$9,269,000) and no property, plant and equipment has been disposed of by the Group for both periods.

## 6. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	10,165	7,414
Prepayments, deposits and other receivables	14,068	14,095
	<b>24,233</b>	<b>21,509</b>

### Trade receivable

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0-30 days	3,016	7,414
31-60 days	7,149	—
Total	<b>10,165</b>	<b>7,414</b>

## 7. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade payable, accruals and other payables	19,137	21,531

## **8. 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) Mr. Xie Xuan, the substantial shareholder of the Company provided a 18-month stand-by credit facility of HK\$20,000,000 to the Company;
- (ii) Asian Dynamics International Limited, the substantial shareholder of the Company and Mr. Xie Xuan have agreed to provide continuing financial support to the Group to meet its liabilities as they fall due.

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.

## **9. FINANCE COSTS**

The finance costs was mainly the interest on amount due to Mr. Xie Xuan, the substantial shareholder of the Company, which bears interest at 5% per annum, and interest on finance lease.

## **10. DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (2021: Nil).

## **11. COMPARATIVE FIGURES**

Certain comparative figures have been re-classified to conform with the current interim period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONAL REVIEW

During the past three months, a contrast in decrease in the revenue of the Group from HK\$7,361,000 of 2021 to HK\$3,185,000 of 2022 and the performance for the period was loss of approximate HK\$721,000 of 2021 to approximate HK\$64,000 of 2022, resulting from management vigilant control over the operational expenses and practice development expenses.

The Group further improve on the reliability of those sales and registered statistics for PRC Regulators by engaging in Guangzhou, an independent audit firm to provide the sales authentication over those sales reported and details of the audit report, which was completed in July, 2022, for the four quarters of 2021 and the first half of 2022 is illustrated as follows:

E-commerce sales volume for the year of 2021 and the first half of 2022

	Aggregate Total for 2021 <i>HK\$'000</i>	Q1 <i>HK\$'000</i>	Q2 <i>HK\$'000</i>	Aggregate Total for 2022 <i>HK\$'000</i>
Disclosed Per financial statements	3,515	631	136	767
Disclosed Per PRC audit	106,220	19,095	3,251	22,346
Difference	102,705	18,464	3,115	21,579

Note 1: Represents recognition by PRC auditors as per PRC accounting records

Table of audited sales recorded with Bohu internet shops

However, experience disappointed results of 2<sup>nd</sup> quarter 2022. Due to: (1) From February Hong Kong and China were suffered tremendously in business activities due to covid pandemic. (2) As a result of the disruptive environment, our valued clients has decided either to hold or delay the asset management and consulting services due to risk associated for the advisor business circumstances. (3) IFRS15 is differ from the PRC accounting as disclosed in the annual report for the year ended 31 December 2021, the management has taken the 2<sup>nd</sup> quarter to realign with our customers and the contract of suppliers in line with the compliance necessary to both PRC regulations and HKFRS requirements.

Following the audit for the year ended 31 December 2021; the Management of the wholly owned subsidiary, an entity which has been carrying out e-commerce, digital marketing and risks control over the e-commerce operational ecosystem, was engaged with all of its customers to realign the business contracts in order to meet the legal and accounting compliance of the merchandise wholesale businesses being carried out within the e-commerce ecosystem, for the best interest of the Company. The Management is pleased to state that since August 2022, the Company shall undertake the financial risks, inventory risks and the control risks of the merchandise, including inventory management to comply with the Hong Kong financial reporting standard 15 and the relevant laws and taxation regulatory of the People's Republic of China for good governance matters.

## **FINANCIAL REVIEW**

### **Revenue and profit attributable to shareholders**

The consolidated revenue of the Group for the six months ended 30 June 2022 was approximately HK\$13,375,000 (2021: HK\$14,150,000). The unaudited consolidated profit from operations for the six months ended 30 June 2022 was approximately HK\$2,767,000 which as compared with the loss of last year corresponding period of HK\$1,216,000. Profit attributable to shareholders for the six months ended 30 June 2022 was approximately HK\$2,652,000 as compared to 2021's profit of HK\$1,856,000.

### **Finance costs**

The finance costs of the Group for the six months ended 30 June 2022 was approximately HK\$86,000 (2021: HK\$490,000) which was decreased by approximately 82% as compared to that of the same period of last year.

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

For the six months ended 30 June 2022, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$2,782,000. The Group had a cash balance of approximately HK\$1,140,000.

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 as at the six months ended 30 June 2022 was HK\$20,090,204 (2021: HK\$20,090,204).

## **Gearing Ratio**

As at 30 June 2022, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 97.39% (2021: 76.77%).

## **Employee and remuneration policies**

As at 30 June 2022, the Group employed a total of 18 employees (as at 30 June 2021: 50), of which 5 were located in Hong Kong, 12 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.

## **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: BuyCollection.com Limited, and Myhome Network Limited.

### **Material Litigation and Contingent Liabilities**

Nil

### **Significant Event(s) after Reporting Period**

Nil



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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 2022, except:

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

### **Code of Conduct Regarding Securities Transactions by Directors**

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

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules the period ended 30 June 2022.

### **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.

## 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 2022, 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				Total	Percentage of the Company’s issued Shares as at 30 June 2022
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Directors						
Mr. Xie Xuan	—	—	51,801,478	—	51,801,478	25.78%
			(Note1)			

*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 shareholder, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022
Glamour House Limited	Interest of a controlled corporation (Note 1)	51,801,478	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.

(ii) *Long Position in the Underlying Shares*

Nil

Save as disclosed above, as at 30 June 2022, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

**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 2022 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 2022.

**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. Lu Yongde (Chairman), Mr. Xie Xuan, Dr. Feng Ke and Mr. Huang Haitao; 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 Report and the audited financial statements and has provided advice and comments thereon.

On behalf of the Board

**Lu Yongde**

*Chairman*

Hong Kong, 15 August 2022

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