



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8025)

INTERIM RESULTS ANNOUNCEMENT

(For the six months ended 30 June 2021)

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid- sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 (the “**Directors**”) of Asian Capital Resources (Holdings) Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “**Group**”). The Directors, 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 announcement misleading.*

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 2021 together with the comparative figures for the corresponding periods in 2020 as follows:

| | | For the | | For the | |
|-------------------------------|--------------|--------------------|-----------------|------------------|-----------------|
| | | three months ended | | six months ended | |
| | | 30 June | | 30 June | |
| | | 2021 | 2020 | 2021 | 2020 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2 | 30,582 | 3,815 | 37,371 | 7,063 |
| Cost of services | | (23,577) | (1,572) | (26,399) | (3,890) |
| Gross profit | | 7,005 | 2,243 | 10,972 | 3,173 |
| Other revenue | | 314 | 30 | 439 | 61 |
| Staff costs | | (3,082) | (1,188) | (5,163) | (2,194) |
| Operating lease rentals | | (394) | (12) | (885) | (144) |
| Other operating expenses | | (4,298) | (1,468) | (6,054) | (2,115) |
| Depreciation and amortization | | (267) | (1,950) | (525) | (2,274) |
| Profit/(Loss) from | | | | | |
| operating activities | | (722) | (2,345) | (1,216) | (3,493) |
| Finance costs | 9 | (263) | (292) | (490) | (645) |
| Profit/(Loss) before taxation | | (985) | (2,637) | (1,706) | (4,138) |
| Taxation | 3 | — | — | — | — |
| Profit/(Loss) for the period | | (985) | (2,637) | (1,706) | (4,138) |

| | | For the three months ended 30 June | | For the six months ended 30 June | |
|---------------------------|---|--|---------------------|--|---------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| <i>Notes</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Attributable to: | | | | | |
| Owners of the Company | | 1,655 | (2,637) | 1,856 | (4,138) |
| Non controlling interest | | (2,640) | — | (3,562) | — |
| | | <u>(985)</u> | <u>(2,637)</u> | <u>(1,706)</u> | <u>(4,138)</u> |
| Earnings/(Loss) per share | | | | | |
| Basic | 4 | <u>0.82 cents</u> | <u>(1.31) cents</u> | <u>0.92 cents</u> | <u>(0.40) cents</u> |
| Diluted | | <u>0.82 cents</u> | <u>(1.31) cents</u> | <u>0.92 cents</u> | <u>(2.07) cents</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited As at 30 June 2021 <i>HK\$'000</i> | Audited As at 31 December 2020 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 10,727 | 1,848 |
| Right-of-use assets | | 23 | 158 |
| Goodwill | | 24,041 | 24,041 |
| Interests in associates | | 4,768 | 4,758 |
| Financial assets at fair value through other comprehensive income | | 30 | 30 |
| Amount due from an investee company | | — | 578 |
| | | 39,589 | 31,413 |
| CURRENT ASSETS | | | |
| Inventories | | 843 | 582 |
| Trade and other receivables | 6 | 11,922 | 7,543 |
| Cash and cash equivalents | | 803 | 7,061 |
| | | 13,568 | 15,186 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 22,563 | 14,270 |
| Amounts due to associates | | 2,497 | 2,340 |
| Lease liabilities | | 24 | 163 |
| Tax payable | | 605 | 605 |
| | | 25,689 | 17,378 |
| NET CURRENT LIABILITIES | | (12,121) | (2,192) |

| | | Unaudited | Audited |
|--|--------------|------------------------|------------------------|
| | | As at | As at |
| | | 30 June | 31 December |
| | | 2021 | 2020 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| TOTAL ASSETS LESS | | | |
| CURRENT LIABILITIES | | 27,468 | 29,221 |
| NON-CURRENT LIABILITIES | | | |
| Amount due to a director of the Company | | 7,019 | 7,066 |
| Amount due to a substantial shareholder | | 11,252 | 11,252 |
| | | 18,271 | 18,318 |
| NET ASSETS/(LIABILITIES) | | 9,197 | 10,903 |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>11</i> | 20,090 | 200,902 |
| Reserves | | (9,130) | (191,798) |
| Equity attributable/(capital deficiency) | | | |
| to owners of the Company | | 10,960 | 9,104 |
| Non-controlling interests | | (1,763) | 1,799 |
| TOTAL EQUITY/(CAPITAL DEFICIENCY) | | 9,197 | 10,903 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June
2021

| Attributable to owners of the Company | | | | | | | | | | |
|---------------------------------------|-------------------------|------------------|--------------------|------------------------|-----------------------|----------------------|-----------------------|-----------------|----------------------------------|-----------------|
| | Issued Share Capital | Share Premium | Capital Reserve | Translation Reserve | Fair value reserve | Convertible bonds | | Total | Non- Controlling interests | Total equity |
| | | | | | | equity Reserve | Accumulated Losses | | | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| As at 1 January 2020 | 176,183 | 304,371 | 26,020 | (3,566) | 162 | 3,091 | (586,395) | (80,134) | (1) | (80,135) |
| Movement of the period | 24,719 | 80,647 | — | — | — | (3,091) | (4,138) | 98,137 | — | 98,137 |
| As at 30 June 2020 | <u>200,902</u> | <u>385,018</u> | <u>26,020</u> | <u>(3,566)</u> | <u>162</u> | <u>—</u> | <u>(590,533)</u> | <u>18,003</u> | <u>(1)</u> | <u>18,002</u> |
| 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) |
| As at 30 June 2021 | <u>20,090</u> | <u>385,212</u> | <u>206,832</u> | <u>(4,232)</u> | <u>(134)</u> | <u>—</u> | <u>(596,808)</u> | <u>10,960</u> | <u>(1,763)</u> | <u>9,197</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|--|---------------------------------|------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (1,706) | (4,138) |
| Adjustments for: | | |
| Interest income | (1) | — |
| Finance costs | 490 | 645 |
| Depreciation of property, plant and equipment | 390 | 49 |
| Depreciation of right-of-use assets | 135 | 135 |
| Written off of amount due from investee company | 578 | — |
| Impairment loss on goodwill | — | 2,090 |
| | <hr/> | <hr/> |
| Operating cash flows before changes in working capital | (114) | (1,219) |
| (Increase)/decrease in trade and other receivables | (4,379) | 357 |
| Increase in inventories | (261) | — |
| Increase/(decrease) in trade and other payables | 8,293 | (4,491) |
| | <hr/> | <hr/> |
| Cash generated from/(used in) operations | 3,539 | (5,353) |
| Income tax paid | — | (3,228) |
| Interest received | 1 | — |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | <u>3,540</u> | <u>(8,581)</u> |

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (9,269) | (100) |
| Advances to associates | (10) | — |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | (9,279) | (100) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Repayment to)/advance from a director of the Company | (47) | 859 |
| (Repayment to)/net advance from a substantial shareholder | (487) | 6,387 |
| Advances from/(to) associates | 157 | (72) |
| Lease liabilities repayment | (139) | (283) |
| Interest paid for leasing liabilities | (3) | (25) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | (519) | 6,866 |
| | <hr/> | <hr/> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (6,258) | (1,815) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | |
| | 7,061 | 5,520 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 803 | 3,705 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 2020.

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 | | For the six months | |
|-------------------------------------|----------------------|-----------------|--------------------|-----------------|
| | ended 30 June | | ended 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Consultancy fee | 6,264 | 3,248 | 12,528 | 6,496 |
| Media service income | 142 | 567 | 665 | 567 |
| Marketing services and sales income | 24,176 | — | 24,178 | — |
| | 30,582 | 3,815 | 37,371 | 7,063 |

- (a) Business segments information reported to the chief operating decision maker, directors of the Company, is based on the type of services rendered by the Group’s operating division for the purposes of resources allocation and performance assessment. The Group has two reporting segments, management and consultancy services, multi-media and value-added services.

(b) Geographical segments

| | Six months ended 30 June | |
|----------------------------------|---------------------------------|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| The PRC and outside of Hong Kong | 37,371 | 7,063 |

3. TAXATION

No Hong Kong profits tax and PRC income tax has been provided for the six months ended 30 June 2021 as the Group had no assessable profits for the period. (2020: Nil)

4. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2021 is based on the net profit attributable to owners of the Company of approximately HK\$1,655,000 and HK\$1,856,000 (2020: net loss of approximately HK\$2,637,000 and HK\$4,138,000) and 200,902,041 ordinary shares (2020: weighted average number of ordinary shares of 200,902,041 and 1,043,063,723) during the periods.

Diluted loss per share for the three months and six months ended 30 June 2020 was calculated by adjusting the weighted average number of ordinary shares to assume share consolidated of every 10 shares into 1 consolidated share was effected from the first day of the respective periods. The adjusted weighted average number of ordinary shares is 200,902,041 (2020: approximately 200,902,041 and 199,679,649) for the respectively period in 2021.

5. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group incurred expenditures on additions to property, plant and equipment with total cost of approximately HK\$9,269,000 (2020: approximately HK\$100,000) 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 2021 <i>HK\$'000</i> | As at 31 December 2020 <i>HK\$'000</i> |
|---|---|---|
| Trade receivables | 6,558 | 3,325 |
| Prepayments, deposits and other receivables | <u>5,364</u> | <u>4,218</u> |
| | <u><u>11,922</u></u> | <u><u>7,543</u></u> |

Trade receivable

| | As at 30 June 2021 <i>HK\$'000</i> | As at 31 December 2020 <i>HK\$'000</i> |
|------------|---|---|
| 0-30 days | 6,503 | 3,325 |
| 31-60 days | <u>55</u> | <u>—</u> |
| Total | <u><u>6,558</u></u> | <u><u>3,325</u></u> |

7. TRADE AND OTHER PAYABLES

| | As at 30 June 2021 <i>HK\$'000</i> | As at 31 December 2020 <i>HK\$'000</i> |
|--|---|---|
| Trade payable, accruals and other payables | 22,385 | 14,092 |
| Contract liabilities | <u>178</u> | <u>178</u> |
| | <u><u>22,563</u></u> | <u><u>14,270</u></u> |

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) Asian Dynamics International Limited ("ADIL"), the substantial shareholder of the Company provided a 18-month stand-by credit facility of HK\$20,000,000 to the Company;
- (ii) ADIL has agreed to provide continuing financial support to the Group to meet its liabilities as they fall due; and
- (iii) ADIL had settled an outstanding amount due under other payables as subordinated loan to the Company.

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

9. FINANCE COSTS

The finance costs was mainly the interest on amount due to the Company's ultimate holding 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 2021 (2020: Nil).

11. SHARE CAPITAL

The capital reduction and share sub-division was effective on 14 January 2021 resulting in the reduction of par value of share capital from HK\$1.0 each to HK\$0.1 each. Details referred to the Company's announcement on 14 January 2021.

12. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

OPERATION REVIEW for the six months period ended 30th June, 2021

During the first half of this year, there was a healthy increase in the turnover of the Group from HK\$7,063,000 of 2020 to HK\$37,371,000 of 2021, an operational improvements of over 429%, and the loss for the period decreased from approximate HK\$4,138,000 of 2020 to approximate HK\$1,706,000 of 2021, resulting from management tireless effect in restructuring of the revenue stream of the media operations by the introduction of the Bohu service platform, and the securing of additional consultation agreement to expand on the asset management portfolio by securing an supply-chain financing and development Limited Partnership Fund commencing January 2021, in order to complement the development of the value-added marketing services of the Key Opinion Leaders (“KOL”) platforms within the Peoples’ Republic of China.

The Board has also kept a vigilant control over the operational expenses and practice development expenses in view of the review progress undergone throughout the last two years by the Stock Exchange of Hong Kong, over the Company’s compliance to the Rule 17.26, which had been fully and timely disclosed to the shareholders from time to time.

The loss was expected to continuous in the near future due to the intermittent resurgent and interruption of the covid mutated virus, despite the PRC Government and the Hong Kong Government control effects and stringent policies over the prevention of the spreading of the decease. The mutated Delta virus surfaced in China in May, 2021, after many months of strict control undertook by the Government of Guangzhou, had caused certain disruption to the media platform events of KOL's sales training, and marketing initiatives, due to immediate closing of the provincial travels, rendered impossibility for the Group executives and the Customers to deliver the services wanted due to lockdown of Guangzhou provincial exchanges. Nevertheless, the Group had finally realized the investments made during the periods of 2020 and the first quarter of 2021 in the media platform by the rolling out of the risk management programme as well as the engagement platform of the media value-added services, to bring a more promising sustainable revenue model for the core operation of the Group in future years.

The Company had been engaging in equity investment management and consulting services in China which, include growth capital investments through asset management services, syndication of fund(s) from entrepreneurs with full compliance to respective laws, and buyout transactions on their behalf. The Company's consistency in our management personnel, and the experiences and cases performed in the past 15 years, with both successes and failures, had provided a solid foundation for our advices to be of value to the Group's clients.

The Company has always respected the governance and regulatory compliance over her business pursuit. Furthermore the Group remains continuously prudent to ensure that management and consulting clients of the Company will comply with the PRC and international laws while staying vigilant in terms of compliance issues and if applicable, regulations on foreign investment in China and outbound direct investments requirements.

As an extension of the consultative agreement between Guangdong New South Group Co Ltd.* (廣東新南方集團有限公司) and the Company, the launching of the Qinghao Limited Partnership Fund, which leverage on the policies and measures by the Central Government of China to promote the development of traditional Chinese Medicine on-shore and abroad, offers great sustainable opportunities for the Company to secure additional and more profitable consultation contracts from the clients base in the Greater Bay and Guangzhou region. The awarding of Nobel Prize in 2015 to Tu You You, whom one of our secured contract and a Limited Partner represents, also highlighted the contributions of TCM to her research and raised artemisinin to a new status worldwide, giving great confidence to the Company in the pursuit of a successful asset management contracts over the investees companies, which are closely associated to the developments and internationalization of the traditional herbal medicine to better the health care systems, in particular in the developing countries of South East Asia, Australasia and Africa. In addition, as the cross-border e-commerce industry has grown, the media platform and the marketing drive from the Bohu Media Platform developed, shall provide measurable benefits to the success of the Funds value in the near future, thus sufficient potential level of operation to the Company's business by repositioning.

As a result of the peripheral vision of the management, compounded by the industry-specific risk environment of the internet and social media related enterprises, the well structure supply-chain development Limited Partnership Fund offers investors as well as stakeholders of the Fund, a risk mitigated and greater control enterprise platform for the development of the social and commercial e-commerce supply chain financing model for the years to come. The Company had factored into consideration of the various regulatory measures and compliance elements for the best delivery of the ecosystem of operation, within the China's Dual Circulation Economy strategy, and shall bring along substantial improvements over the business opportunities within the regions that the Company served. The management had seen the consultation results of the contract and the successful registration of the fund structure in Hong Kong under the Ordinance offers a very sound asset management environment and beneficial tax incentive to expand and develop the portfolio of the asset management and recurring revenue from the consultancy businesses.

Therefore, as discussed in the last quarterly financial reports of March 31, 2021, the Group's management and consulting business; nevertheless, was able to navigate through the most challenging year of 2020 and 2021 first half, with steady services, especially in respect of the assistance provided to our clients on social responsibility obligations during the pandemic years. However, the Company was unable to strengthen the working capital of the Group to re-capitalise the financial position of the Group for expansion and business developments due to the review process of the Stock Exchange of Hong Kong, but the management is committed to enhance the capital and asset capacity, including the amount of assets under management to give continuous and rewarding supports to the Company's operation for the interest of all stakeholders. Furthermore, the uncertain environment in the direct investment sector, because of resulting resurgence of the covid pandemic over the various parts of the World, the performance of those contracts of services consummated are continuously been reviewed with cautious optimism, which based on the view of the Board, can have adverse impact to the reasonable estimates of the Goodwill value attached to the management and consulting sector as reported, and shareholders should take into consideration of the Auditors' report in this sector. Moving forward, the Company will endeavor to rebuild the assets and value improvements throughout the second half of 2021, when the review of the Exchange directives is providing a more clearer strategic developments to the Company's operations for future years.

Despite all the above obstacles, the Group is pleased to report that the business focus of the Company in management and consultancy services and multi-channel media value-added services are beginning to take better shapes because of the executives' efforts and the none "tunneling vision" due to past performance of the Company. In addition, on 31 July 2020 the CSRC issued consultation papers on Measures for the Supervision and Administration of Public offered Securities Investment Fund Managers and the more favorable enacted Company's Law in foreign direct investments and the Company believes that the Measures and Implementation Provisions aim to revise and improve the old measures for fund management companies issued in 2012. The key changes provide better and a clearer rule base supports that the Company operates under, and are beneficial to the strategic growth plan of the Company, as a whole.

To complete the strategic plan of the Company notwithstanding any disruptions which might surface in the foreseeable period, we are pleased to report that the Group had continued to commit to research, develop and explore investment opportunities which are strategic to its business operations and which will provide meaningful return of the Company's shareholders.

Digital Marketing and digital platform service and operation:

As reported in the past, In recognizing that migration is necessary to provide the VAS services to the Group's enterprise clients, the Company proceeded to upgrade the marketing and enterprise relationship management (ERM) services by radio only platform, to digital and analytic transformations, which had already been widely undertaken by many technologies' companies.

Recognizing the important of the paradigm shift over a more regulated, supervised and license mandatory operating environment for the multi-channel marketing sector, the Company entered into the fourth quarter of 2020, in building up a supply-chain and management platform to re-engineer the management of the digital risks and financing operations to provide services to the greater Guangzhou area and to define organizational accountability. We are pleased to report that the operational results of this sector provide a very strong encouragement to the management that the changes adopted has been proven meaningful and rewarding for the Shareholders. In addition, in line with the business model of the media platform of Guangzhou, the management is able to secure more contracts of services in this model in Yenching, Jiangsu, and additional service contracts with the clients over that region by Bohu are in progress, which when completed, estimates to give a good return from the investment made.

Operational risk analysis and governance:

Throughout the first six months of 2021, the Company had been unremittingly delivered to the Stock Exchange of Hong Kong answers relating to the past performance and future prospects of the Company, and endeavored to the best of the available resources, to observe various regulatory and business model changes due to the (i) tightening of regulatory oversight, (ii) changes over the direct investment law of the Peoples' Republic of China, (iii) the introduction of the Limited Partnership Fund Ordinance in Hong Kong to enable the asset management and consultancy services to have Regulatory oversight over certain types of asset management activities, and (iv) the recent regulatory challenges faced by Ant Group Co. Limited on issues related to financing and multi-channel marketing deliveries, together with (v) the introduction of the International Accounting Standards of revenue recognition which have impact over the contract negotiation on industries as telecommunications, asset management, real estate and software industries, and the Rule 17.26 enquiries as disclosed by the Company on May, 2021, To ensure best interest for the shareholders is being protected together with discharging the fiduciary duties of the Company's executives in good faith.

We are pleased to state that throughout the first six months of this year, certain critical milestones had been achieved as instigated by the management following the various challenges and crises encountered. However, due to the operational risk brought by the prolonged administrative measures to deal with the global pandemic, together with restrictions imposed over work-life balance and travel mobility, many initiatives of the Group faced delays in registration, causing disruption or inability to move forward as planned. However, the management had committed to mitigate to the best of their ability the risk associated with the operation and rejuvenate the businesses of the Group to normal and stable conditions. Shareholders however, in view of the inquiries made by the Stock Exchange of Hong Kong, shall be careful when trading the company's share during the most uncertain time of the history of the Company, as disclosed in May 21, 2021 by the Company at the request of the Exchange Listing Division.

Future Prospects:

The prospect of 2021 might still be clouded by the uncertainties with the global economies, the pandemic resurgence and the various challenges faced by the Company over her pursuits of more sustainable performance for the shareholders. However, the Board feels that it is only for a short-term basis and is confident to the Group existing rejuvenation plan. We are looking forward to provide much promising and favorable reports to the Shareholders in future, and to reward the management and all Stakeholders with tangible performance results in the foreseeable periods.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

The consolidated revenue of the Group for the six months ended 30 June 2021 was approximately HK\$37,371,000 (2020: HK\$7,063,000). The unaudited consolidated loss from operations for the six months ended 30 June 2021 was approximately HK\$1,216,000 which as compared with the loss of last year corresponding period of HK\$3,493,000. Profit attributable to shareholders for the six months ended 30 June 2021 was approximately HK\$1,856,000 as compared to 2020's loss of HK\$4,138,000. Loss for the period was attributed to the restricting process of both capital and operations including professional costs for enquiries from the Stock Exchange of Hong Kong, but improved by the austerity programme on overheads introduced by management.

Finance costs

The finance costs of the Group for the six months ended 30 June 2021 was approximately HK\$490,000 (2020: HK\$645,000) which was decreased by approximately 24% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2021, the Group's borrowing consists of a loan from the Company's substantial shareholder of approximately HK\$11,252,000. The Group had a cash balance of approximately HK\$803,000.

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 2021 was HK\$20,090,204 (2020: HK\$200,902,041) as the capital reduction of HK\$1.0 per share to HK\$0.1 per share was effective on 14 January 2021.

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 76.77 % (2020: 62.31%).

Employee and remuneration policies

As at 30 June 2021, the Group employed a total of 50 employees (as at 30 June 2020: 10), of which 4 were located in Hong Kong, 45 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: Asian Information Investment Consulting Limited, BuyCollection.com Limited, and Myhome Network Limited.

Material Litigation and Contingent Liabilities

Nil

Significant Event(s) after Reporting Period

Nil

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 2021, except:

- (i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated 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 2021.

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 2021, 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 2021 | |
|--------------|---|----------------------------------|--------------------------------|------------------------|--|--------|
| | Directly beneficially owned | Through spouse or minor children | Through controlled corporation | Beneficiary of a trust | Total | |
| Directors | | | | | | |
| Mr. Xie Xuan | – | – | 51,801,473 | – | 51,801,473 | 25.78% |
| | | | (Note 1) | | | |
| | – | – | 51,801,473 | – | 51,801,473 | 25.78% |

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director and shareholder, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021 |
|--------------------------------------|---|-------------------------|---|
| Glamour House Limited | Interest of a controlled corporation <i>(Note 1)</i> | 51,801,473 | 25.78% |
| Asian Dynamics International Limited | Beneficial owner | 51,789,613 | 25.78% |
| Century Field Limited | Beneficial owner | 27,630,666 | 13.75% |

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

(ii) Long Position in the Underlying Shares

Nil

Save as disclosed above, as at 30 June 2021, 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 2021 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 2021.

Board of Directors

The Board is responsible for managing the Company on behalf of the shareholders. The Board is of the view that it is the Directors' responsibility to create value for the shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

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

Internal Control

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

Audit Committee

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

On behalf of the Board

Xie Xuan

Chairman

Hong Kong, 13 August 2021

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

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