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亞洲資產（控股）有限公司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8025)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNOUNCEMENT OF ANNUAL RESEULTS FOR THE YEAR ENEDED 31 DECEMBER 2018

Reference is made to the announcement of Asian Capital Resources (Holdings) Limited (the "**Company**" and its subsidiaries, collectively referred to as the "**Group**") dated 1 April 2019 in relation to the annual results of the Group for the year ended 31 December 2018 (the "**Results Announcement**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Result Announcement.

Further to the information disclosed in the Results Announcement, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

QUALIFIED OPINION OF THE ESTIMATION OF RECOVERABLE AMOUNT OF GOODWILL OF THE MANAGEMENT AND CONSULTANCY SERVICES SEGMENT OF THE GROUP AS AT 31 DECEMBER 2018

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

Cheng & Cheng Limited, the auditors of the Company (the "**Auditors**"), considered that they have not received, in their opinion, sufficient appropriate audit evidence on the as to the reasonableness of assumptions (the "**Assumptions**") made by the directors in the estimation of recoverable amount of the related group of cash-generating unit (i.e. the management and consultancy services). This was due to the fact that there were certain tightened regulatory reforms in the asset management industry, introduced by various authorities of the People's Republic of China (the "**PRC**") in April 2018, and such regulatory uncertainties caused the Group to remain prudent and cautious in the business initiatives, which led to an evidently slowdown of the private equity advisory businesses. The above-said regulatory reforms imposed additional risk and vigilant mitigation procedures in the future development of the Group's private equity advisory business. The Auditors were therefore unable to form a certain and accurate opinion towards the Assumptions made.

Additionally, at the relevant time, the Company had provided the following documents in support of the Assumptions, without limitation to:

(i) a signed strategy cooperation agreement with a PRC asset management firm and an application (the "**Application**") for setting up a fund (the "**Fund**") by such PRC asset management. The Application was assisted and supervised by the Group pursuant to the aforesaid strategy cooperation agreement. At the relevant time, the Application had been submitted to relevant authority and was waiting for the approval. It is expected that the Group would be able to charge a management fee based on the capital commitment of the Fund, subject to the execution of formal agreement (the "**Potential Fund Transaction**").

    As at the date of this announcement, the Application for setting up the new private fund which the companies involved in internet and technology sectors in Guangzhou is still in progress and under reviewing by the relevant authority.

(ii) a list of projects in the pipeline and correspondences with various PRC corporates regarding potential advisory services to be provided by the Group. It is preliminarily expected that the Group would be able to charge an advisory fee based on the total assets of such PRC corporates, subject to the execution of formal agreements (the "**Potential Corporate Transactions**").

    The Company had engaged in some of the Potential Corporate Transactions in the first quarter of 2019. In meanwhile, the Company is now under the negotiation process with potential PRC corporates for other potential corporate transactions.

In view of the above, and despite the fact that progress had been demonstrated by the Group towards improving its private equity advisory services, the Auditors had nevertheless requested for more evidences, in particular formal executed advisory services contracts. However, as the Potential Fund Transaction was waiting for the formal approval and the Potential Corporate Transactions were in the negotiation process, the Company was unable to provide such formal contracts.

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

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

The prospect of the PRC private equity market is positive

The Management is of the view that the private equity market remains strong and positive. According to the statistic published by Asset Management Association of China, the private equity fund market in the PRC has recorded a rapid growth in recent years. The number of registered private funds as at 2018 year-end was 74,642, representing an increase of approximately 12.38% as compared to that of 2017 and a compound annual growth rate of approximately 45.86% from 2015 to 2018. The size of asset under management of the registered private funds as at 2018 year-end was approximately RMB12.78 trillion, representing an increase of approximately 15.12% as compared to that of 2017 and a compound annual growth rate of approximately 46.68% from 2015 to 2018.

The regulatory reforms have been stabilized

The regulatory reforms were launched in 2018, the Group had spent a period on observing and studying the outcome and effect of the rules and regulations in order to fully comply with the same. The Management considers that the regulatory reforms have been stabilized in 2019, as such the Group become more concentrated on the private equity fund advisory services as demonstrated by the fact that the Group has assisted and supervised the Application.

Various potential transactions are in progress

As mentioned above, the Company is in the process of approaching and negotiating with various potential fund and corporate customers, the Management believes that the business in the private equity services sector would be improved in 2019.

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

Proposed plan for the Company to address the audit qualification

After discussion with the Auditors, should the Company be able to provide more documents, such as formal executed contract(s), in support of the assumptions made in the estimation of recoverable amount of the related group of cash generating unit for the coming year, it would be helpful for the audit qualification to be removed. As such, the Company will try its best effort to secure the transactions and procure the execution of formal service contract(s) as soon as practicable.

IMPAIRMENT LOSS IN RESPECT OF GOODWILL TO THE MANAGEMENT AND CONSULTANCY SERVICES FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

The Company engaged Ascent Partners Valuation Service Limited ("**Ascent Partners**"), an independent professional qualified valuer, to conduct a valuation to determine the recoverable amount of the cash-generating unit (the "**CGU**"), which provide management and consultancy services for the year ended 31 December 2018 (the "**2018 Valuation**").

The Group adjusted the business model of the CGU in 2018 which some of the services were outsourced, this resulted in the occurrence of cost of services. Going forward, it is believed the cost of services would result in (i) lower operating margin and (ii) non-zero account payables in the balance sheet affecting the net working capital analysis as compared to the past. Therefore, the future financial performance of the management and consultancy services segment would be affected and an impairment loss of goodwill of approximately HK$43.51 million was recognised.

Qualification of Ascent Partners

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

The undersigned person of the 2018 Valuation Report, namely Mr. Paul Wu ("**Mr. Wu**"), is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science from Simon Fraser University in Canada. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Mr. Wu has been practicing valuation for financial reporting purpose since 2008.

Value of inputs and methodology adopted in assessing the impairment loss

The 2018 Valuation was developed through the application of the weighted-average-cost-of-capital ("**WACC**") to discount the future free cash flows to the firm ("**FCFFs**") expected to be derived from the assets.

Set out below are the value of major inputs of the for the valuation performed by Ascent Partners for the CGU for the year ended 31 December 2017 (the "**2017 Valuation**") and for the year ended 31 December 2018:

	2018 Valuation	**2017 Valuation**
Calculation of WACC		
Cost of equity	24.97%	26.77%
Cost of debt	4.90%	4.90%
Weight of equity value of enterprise value	65.51%	61.86%
Weight of debt value of enterprise value	34.49%	38.14%
Corporate Tax Rate	25.00%	25.00%
WACC	17.63%	17.96%
FCFFs	*(Approximate RMB'000)*	*(Approximate RMB'000)*
31 December 2018	N/A	36,666
31 December 2019	6,734	7,693
31 December 2020	3,794	9,395
31 December 2021	5,659	11,501
31 December 2022	10,249	15,782
31 December 2023	15,135	N/A
Present value of FCFFs	*(Approximate RMB'000)*	*(Approximate RMB'000)*
31 December 2018	N/A	33,759
31 December 2019	6,209	6,005
31 December 2020	2,742	6,217
31 December 2021	3,771	6,451
31 December 2022	5,806	7,504
31 December 2023	7,290	N/A
Total (A)	25,819	59,938
Terminal growth rate	2.61%	2.93%
Terminal value	RMB110,107,332	RMB 108,069,115
Present value of the terminal value (B)	RMB53,033,727	RMB 51,388,546
Valuation of value in use for the CGU (A+B) (Rounded to the nearest million)	**RMB79,000,000**	**RMB 111,000,000**

Major components that determine the FCFFs for each of the 2017 Valuation and the 2018 Valuation

The major components that determine the FCFFs for each of the 2017 Valuation and the 2018 Valuation are revenue, cost of sales, operating expense and corporate tax.

	Major bases and assumptions	
	2017 Valuation	**2018 Valuation**
The forecasted revenue was determined by:	– The prospect of the PRC private equity market	– The prospect of the PRC private equity market
	– Pipeline projects at the relevant time and signed service agreements	– Pipeline projects at the relevant time and signed service agreements
The forecasted costs of sale were determined by:	– Not applicable	– Historical cost of sales rates and figures of the CGU recorded for the two months ended 28 February 2019 and the Company's ongoing cost control
The forecasted operating expenses were determined by:	– Amounts of historical operating expense of the CGU recorded for the year ended 31 December 2017	– Amounts of historical operating expense of the CGU recorded for the two months ended 28 February 2019
The forecasted corporate taxes were determined by:	– Corporate income tax imposed in the PRC (i.e. 25%)	– Corporate income tax imposed in the PRC (i.e. 25%)

The major change for the FCFFs was mainly attributable to the occurrence of cost of services. Please refer to the paragraph headed "Subsequent changes in the valuation method" below for more details of the occurrence of cost of services.

General Assumptions under each of the 2017 Valuation and the 2018 Valuation

Set out below are the general assumptions under the 2017 Valuation and the 2018 Valuation:

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

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

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

(d) As part of Ascent Partners's analysis, they have reviewed the information related to the 2017 Valuation and the 2018 Valuation, which was made available to them. They have no reason to doubt the accuracy and fairness of such information on which they have relied to a considerable extent in arriving at their opinion of value.

(e) The average of inflation rates from 2007 to 2016 and 2008 to 2017 of the PRC were employed as the terminal growth rate for the 2017 Valuation and the 2018 Valuation, respectively. According to Bloomberg, the average of the consumer prices index from 2007 to 2016 in the PRC was 2.93% and the average of the consumer prices index from 2008 to 2017 in the PRC was 2.61%.

Subsequent changes in the valuation method

As shown in the table above, it is considered that save for the FCFFs, the major inputs and assumptions adopted for the 2017 Valuation and 2018 Valuation did not have material changes.

The changes for the FCFFs were mainly attributable to the adjustment in the business model of the CGU in 2018 which some of the services were outsourced, resulting in the occurrence of cost of services. Such cost of service increased from nil for the year ended 31 December 2017 to that of approximately HK$22 million for the year ended 31 December 2018. Going forward, the cost of services would result in (i) lower operating margin and (ii) non-zero account payables in the balance sheet affecting the net working capital analysis as compared to the past.

MEDIA AND VALUE-ADDED SERVICES SEGMENT

The Company would like to supplement that the recoverable amount of the Group's media and value-added services was determined based on a valuation report performed by Ascent Partners.

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

Hong Kong, 20 June 2019

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

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

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