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Asia Resources Holdings Limited

亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the “Board”) of Asia Resources Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
	Note	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Continuing Operations			
Revenue	5	168,618	–
Cost of sales		(208,922)	–
Gross loss		(40,304)	–
Other income and gain/(losses)	6	624	439
Selling and distribution expenses		(6,361)	–
Administrative expenses		(19,629)	(16,822)
Share of results of associates		(3,746)	(12,230)
Gain on disposal of subsidiaries		–	5,618
Finance costs	7	(205)	(14,314)
Loss for the period from continuing operations	8	(69,621)	(37,309)
Loss for the period from discontinued operations		–	(1,348)
Loss for the period		(69,621)	(38,657)

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2019

		For the six months ended 30 September	
	<i>Note</i>	2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(36,322)	(133,522)
Reclassification adjustments relating to foreign operations disposed of during the period		–	(18,792)
Share of other comprehensive income of associates		101	1,006
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		(36,221)	(151,308)
		<hr/>	<hr/>
Total comprehensive income for the period		(105,842)	(189,965)
		<hr/>	<hr/>
Loss attributable to:			
– Owners of the Company		(69,306)	(38,378)
– Non-controlling interests		(315)	(279)
		<hr/>	<hr/>
		(69,621)	(38,657)
		<hr/>	<hr/>
Total comprehensive income attributable to:			
– Owners of the Company		(105,207)	(199,517)
– Non-controlling interests		(635)	9,552
		<hr/>	<hr/>
		(105,842)	(189,965)
		<hr/>	<hr/>
		HK\$	HK\$
Loss per share attributable to owners of the Company:			
From continuing and discontinued operations			
– Basic and diluted	<i>10</i>	(0.009)	(0.006)
		<hr/>	<hr/>
From continuing operations			
– Basic and diluted	<i>10</i>	(0.009)	(0.005)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	<i>12</i>	13,797	7,616
Intangible assets	<i>13</i>	383,891	384,875
Interests in associates	<i>14</i>	206,872	210,517
Deposits paid	<i>18</i>	494,663	1,150,860
Right-of-use assets		4,283	–
		1,103,506	1,753,868
Current assets			
Properties under development	<i>15</i>	274,813	292,449
Completed properties held for sale	<i>16</i>	145,039	370,950
Inventories		1,253	–
Trade receivables	<i>17</i>	8,664	–
Prepayments, deposits and other receivables	<i>18</i>	853,736	168,786
Amount due from an associate	<i>14</i>	2,199	2,340
Financial assets at fair value through profit or loss		3,709	4,540
Income tax prepaid		248	248
Bank balances and cash		32,138	127,285
		1,321,799	966,598
Current liabilities			
Trade payables	<i>19</i>	55,079	81,071
Other payables and accruals		61,301	123,909
Contract liabilities		62,399	166,272
Lease liabilities due within one year		2,502	–
Tax payables		437	464
		181,718	371,716

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2019

		At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Net current assets		<u>1,140,081</u>	<u>594,822</u>
Total assets less current liabilities		<u>2,243,587</u>	<u>2,348,750</u>
Capital and reserves			
Share capital	20	76,117	76,117
Reserves		<u>2,032,284</u>	<u>2,137,491</u>
Total equity attributable to owners of the Company		2,108,401	2,213,608
Non-controlling interests		<u>118,055</u>	<u>118,690</u>
		<u>2,226,456</u>	<u>2,332,298</u>
Non-current liabilities			
Lease liabilities		1,671	–
Deferred tax liabilities		<u>15,460</u>	<u>16,452</u>
		<u>17,131</u>	<u>16,452</u>
		<u>2,243,587</u>	<u>2,348,750</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL

Asia Resources Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Room 2601, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company acts as an investment holding company, while its subsidiaries (hereinafter the Company and its subsidiaries are collectively referred to as the “Group”) are principally engaged in water business, and property development and investment business in the People’s Republic of China (the “PRC”).

The interim financial statements are presented in Hong Kong Dollars (“HK\$”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial statements were approved for issue on 27 November 2019. This interim financial statements have not been audited.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 March 2019, except for the followings:

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue recognition (Continued)

Revenue from sale of properties is recognised when the control over the ownership or physical possession of the property is transferred to the customer, which is the point in time when the Group satisfies its performance obligations under the contracts. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented in the statement of financial position as deposits received on sale of properties which are regarded as contract liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measure reliably).

Net gain/loss on financial assets at fair value through profit or loss is recognised on the transaction date when the relevant contracts are executed.

(b) HKFRS 16 "Leases" – New and amended HKFRS adopted by the Group

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 “Leases” – New and amended HKFRS adopted by the Group (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for buildings and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 “Leases” – New and amended HKFRS adopted by the Group (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (Decrease) HK\$'000 (unaudited)
Assets	
Increase in right-of-use assets	5,729
Decrease in prepayments, deposits and other receivables	<u>(184)</u>
Increase in total assets	<u>5,545</u>
Liabilities	
Increase in lease liabilities	<u>5,545</u>

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 “Leases” – New and amended HKFRS adopted by the Group (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK\$'000 (unaudited)
Operating lease commitments as at 31 March 2019	
Weighted average incremental borrowing rate as at 1 April 2019	<u>8%</u>
Discounted operating lease commitments as at 1 April 2019	<u>5,545</u>
Lease liabilities as at 1 April 2019	<u>5,545</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 “Leases” – New and amended HKFRS adopted by the Group (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group did not have the option to renew its building leases, therefore no renewal period was included as part of the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 “Leases” – New and amended HKFRS adopted by the Group (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group’s right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets	
	Buildings	Lease liabilities
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
As at 1 April 2019	5,729	5,545
Depreciation charge	(1,379)	–
Interest expense	–	205
Exchange realignment	(67)	(67)
Payments	–	(1,510)
	<hr/>	<hr/>
As at 30 September 2019	4,283	4,173

4. SEGMENT INFORMATION

The Group’s operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and received by the chief operating decision maker (“CODM”) for the purpose of resource allocation and performance assessment.

The Group has the following continuing operating segments during the period. These segments are managed separately. No operating segments have been aggregated for the following reportable segments.

- (1) For water business, the CODM regularly reviews the performance of the water business in the PRC. These operations have been aggregated into a single operating segment and named “Water business”.
- (2) For property development and investment business, the CODM regularly reviews the performance of the property development and investment business. These operations have been aggregated into a single operating segment and named “Property development and investment”.

4. SEGMENT INFORMATION (CONTINUED)

During the six months ended 30 September 2018, iron ore mining business and investing and financing business was discontinued, thus they are not separately presented on the following segment analysis.

The following is an analysis of the Group's revenue and results by operating segments for the periods:

For the six months ended 30 September

	Continuing operations							
	Water business		Property development and investment		Unallocated		Consolidation	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Sales to external customers	263	-	168,355	-	-	-	168,618	-
Total revenue	263	-	168,355	-	-	-	168,618	-
Segment results	(5,563)	(1,196)	(49,863)	(3,863)	-	-	(55,426)	(5,059)
Other income and gain/(loss)	116	532	15	97	493	(190)	624	439
Fair value losses on financial assets at fair value through profit or loss	-	-	-	-	(830)	(660)	(830)	(660)
Central administration costs	-	-	-	-	(10,038)	(12,451)	(10,038)	(12,451)
Gain on disposal of subsidiaries	-	-	-	-	-	5,618	-	5,618
Share of results of associates	(3,746)	(12,230)	-	-	-	-	(3,746)	(12,230)
Finance costs	-	-	-	-	(205)	(14,314)	(205)	(14,314)
Loss for the period							(69,621)	(38,657)

4. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's assets and liabilities by operating segments:

	Continuing operations					
	Water business		Property development and investment		Consolidation	
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2019	2019	2019	2019	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(restated and audited)	
ASSETS						
Segment assets	621,785	618,896	1,770,042	1,964,633	2,391,827	2,583,529
Unallocated corporate assets					33,478	136,937
					<u>2,425,305</u>	<u>2,720,466</u>
LIABILITIES						
Segment liabilities	(1,292)	(214)	(181,863)	(342,076)	(183,155)	(342,290)
Unallocated corporate liabilities					(15,694)	(45,878)
					<u>(198,849)</u>	<u>(388,168)</u>

5. REVENUE

	For the six months ended	
	30 September	2018
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Sales of properties	168,355	–
Sales of bottled water products	263	–
	<u>168,618</u>	<u>–</u>

6. OTHER INCOME AND GAIN/(LOSSES)

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Interest income on bank deposit	79	458
Sundry and other operating income	344	82
Written off of property, plant and equipment	–	(159)
Exchange gain, net	201	58
	<u>624</u>	<u>439</u>

7. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Interest on convertible notes/bonds	–	14,314
Interest on lease liabilities	205	–
	<u>205</u>	<u>14,314</u>

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The Group's loss for the period from continuing operations is stated after charging:		
Amortisation of land use right	103	–
Depreciation of right-to-use assets	1,379	–
Depreciation of property, plant and equipment	412	780
Staff costs (including directors' remuneration)	7,421	4,814
Minimum lease payments under operating leases	–	1,042
Fair value loss on financial assets at fair value through profit or loss	831	660
	<u>831</u>	<u>660</u>

9. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the period (six months ended 30 September 2018: 25%).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period from continuing operations attributable to owners of the Company	(69,621)	(37,088)
Loss for the period from discontinued operations attributable to the owners of the Company	–	(1,290)
	<u>(69,621)</u>	<u>(38,378)</u>
	'000 Shares	'000 Shares
	(unaudited)	(unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>7,611,690</u>	<u>6,745,570</u>

The basic and diluted loss per share from continuing and discontinued operations are the same for the six months ended 30 September 2019 and 2018, as the effect of the share options would be anti-dilutive and were not included in the calculation of diluted loss per share.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period from continuing operations attributable to the owners of the Company	<u>(69,621)</u>	<u>(37,088)</u>

The basic and diluted loss per share from continuing operations are the same for the six months ended 30 September 2019 and 2018, as the effect of the share options would be anti-dilutive and were not included in the calculation of diluted loss per share.

11. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group has acquired property, plant and equipment of approximately HK\$7,201,000 (six months ended 30 September 2018: approximately HK\$777,000). The items of property, plant and equipment with carrying amount of approximately HK\$245,000 were written off during the six months ended 30 September 2018.

13. INTANGIBLE ASSETS

	Water mining licence <i>HK\$'000</i> <i>(Note 1)</i>	Land use right <i>HK\$'000</i> <i>(Note 2)</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2018 (audited)	374,699	–	374,699
Additions	–	10,602	10,602
Exchange realignment	(287)	11	(276)
	<hr/>	<hr/>	<hr/>
At 31 March 2019 (audited)	374,412	10,613	385,025
Exchange realignment	(253)	(640)	(893)
	<hr/>	<hr/>	<hr/>
At 30 September 2019 (unaudited)	<u>374,159</u>	<u>9,973</u>	<u>384,132</u>
Accumulated amortisation and impairment			
At 1 April 2018 (audited)	–	–	–
Amortisation for the year	–	150	150
	<hr/>	<hr/>	<hr/>
At 31 March 2019 (audited)	–	150	150
Amortisation for the period	–	103	103
Exchange realignment	–	(12)	(12)
	<hr/>	<hr/>	<hr/>
At 30 September 2019 (unaudited)	<u>–</u>	<u>241</u>	<u>241</u>
Carrying amount			
At 30 September 2019 (unaudited)	<u>374,159</u>	<u>9,732</u>	<u>383,891</u>
At 31 March 2019 (audited)	<u><u>374,412</u></u>	<u><u>10,463</u></u>	<u><u>384,875</u></u>

13. INTANGIBLE ASSETS (CONTINUED)

Notes:

1. Water mining licence represents the right to conduct water exploitation activities in Hunan. The subsidiary, 湖南新田富鋸礦泉水有限公司 had entered into an agreement with Hunan Government to grant the subsidiary a water mining licence for exploitation of mineral water for 5 years. The subsidiary has the priority to extend the mineral water mining licence afterwards. The mine is located at 湖南新田縣三占塘. The subsidiary has the exclusive rights and authorities to manage and arrange all activities in the mining area.

Water mining licence is amortised on a straight-line basis over its estimated useful economic life. The useful economic life of the water mining licence was estimated with reference to the validity of the operation licence held and the productions plans of the Group. No amortisation was provided during the period under review as commercial production has not yet commenced during the period.

The directors of the Company have assessed the recoverable amount of the water mining licence, which exceeds its carrying amount and therefore no impairment loss was recognised during the period.

2. Land use right represents the right to use the land for water exploitation activities in Hunan. The land is located at 湖南新田縣新圩鎮新嘉公路三占塘段西側. The land use right is valid for 50 years.

14. INTERESTS IN ASSOCIATES

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
At the beginning of the period/year	210,517	226,960
Share of post-acquisition losses and other comprehensive income during the period/year, net of dividends received	<u>(3,645)</u>	<u>(16,443)</u>
At the end of the period/year	<u>206,872</u>	<u>210,517</u>
	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Amount due from an associate	<u>2,199</u>	<u>2,340</u>

Note: Amount due from an associate is unsecured, interest-bearing at 10% per annum and repayable within one year.

14. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates, which were held indirectly by the Company at the end of reporting period, were as follows:

Name of associates	Form of business and structure	Place of incorporation/ operation	Class of shares/ registered capital held	Proportion of nominal value of paid capital/registered capital held by the Group		Principal activities
				At 30 September 2019	At 31 March 2019	
				(unaudited)	(audited)	
Hong Kong Spring Water Ding Dong Group Company Limited	Incorporated	Hong Kong	Ordinary	20%	20%	Investment holding and water business
Guangxi Spring Water Ding Dong Beverages Company Limited*	Incorporated	The PRC	Registered	20%	20%	Production and sales of bottled water

Summarised financial information in respect of the Group's associates is set out below:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Current assets	<u>24,480</u>	<u>33,925</u>
Non-current assets	<u>109,685</u>	<u>121,515</u>
Current liabilities	<u>181,098</u>	<u>210,426</u>

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the interim financial statements.

* For identification purposes only

14. INTERESTS IN ASSOCIATES (CONTINUED)

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Net liabilities of the associates as at acquisition date	(33,841)	(33,841)
Proportion of the Group's ownership interests in the associates	<u>20%</u>	<u>20%</u>
Cost of investments in associates unlisted in Hong Kong	(6,768)	(6,768)
Valuation adjustment from acquisition	210,217	210,217
Goodwill	31,443	31,443
Share of post-acquisition losses and other comprehensive income, net of dividends received	<u>(28,020)</u>	<u>(24,375)</u>
Carrying amount of the Group's interests in associates	<u>206,872</u>	<u>210,517</u>

15. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Properties under development	337,310	358,956
Less: provision for impairment	<u>(62,497)</u>	<u>(66,507)</u>
	<u>274,813</u>	<u>292,449</u>

Properties under development are related to the residential property construction held for sale located at Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC.

As at 30 September 2019, the balance included land use rights of approximately HK\$113,918,000 (as at 31 March 2019: approximately HK\$121,229,000). Upon completion of the construction, the land use rights will be transferred to property held for sale.

15. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

The Group's properties under development at their book values are analysed as follows:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>274,813</u>	<u>292,449</u>

As at 31 March 2019, a land use right of approximately HK\$121,229,000 was pledged to a bank for a recurring loan granted to a third party. During the six months ended 30 September 2019, the pledge had been released. Details are set out in note 22.

16. COMPLETED PROPERTIES HELD FOR SALE

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Completed properties held for sale	195,971	497,839
Less: Provision for impairment	<u>(50,932)</u>	<u>(126,889)</u>
	<u>145,039</u>	<u>370,950</u>

The completed properties held for sale were located in the PRC under medium-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

17. TRADE RECEIVABLES

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Trade receivables	<u>8,664</u>	<u>–</u>

17. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables, based on the revenue recognition date, is as follows:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
0 to 180 days	<u>8,664</u>	<u>–</u>

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Non-current assets:		
Deposits for acquisition of investment properties (<i>note i</i>)	<u>494,663</u>	<u>1,150,860</u>
Current assets:		
Deposits paid (<i>note ii</i>)	786,969	93,154
Prepayments (<i>note iii</i>)	1,218	2,373
Other receivables (<i>note iv</i>)	<u>65,549</u>	<u>73,259</u>
	<u>853,736</u>	<u>168,786</u>

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (i) As at 30 September 2019, deposits paid of approximately HK\$274,813,000 (as at 31 March 2019: approximately HK\$292,449,000) were in relation to three acquisitions of properties in Yantian where the physical possession of the properties has been delivered to the Group. According to the supplementary agreement dated 3 May 2018, the titles of the three properties should be transferred to the Group before 30 December 2018. Nevertheless, according to the announcement dated 19 June 2019, the vendor has still not registered the title of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificate remained pending. The Group has engaged a PRC lawyer firm to negotiate with the vendor on this matter for the possible ways to resolve the same.

As at 30 September 2019, deposits paid of approximately HK\$219,850,000 (as at 31 March 2019: approximately HK\$233,959,000) was in relation to acquisition of properties in Beijing.

As at 31 March 2019, deposits paid of approximately HK\$624,452,000 was in relation to acquisition of properties in Shenyang (“Shenyang Properties”). The Group entered into a termination agreement with the vendor to terminate the acquisition of Shenyang Properties on 24 April 2019 and a supplementary agreement with a related party on 1 November 2019. The deposit paid and related compensation and interest shall be repaid on or prior to 24 April 2020. Details of the termination agreement and supplemental agreement are set out in the announcements of the Company dated 24 April 2019 and 1 November 2019. As at 30 September 2019, the deposits paid of approximately HK\$698,417,000 was classified as current assets and set out in note (ii) below.

- (ii) As at 30 September 2019, deposits paid were mainly relating to (1) two buildings naming right located in Shenzhen of approximately HK\$19,755,000 (as at 31 March 2019: approximately HK\$21,023,000), (2) acquisition of properties in Zengcheng of approximately HK\$68,154,000 (as at 31 March 2019: approximately HK\$72,528,000) and (3) acquisition of properties in Shenyang of approximately HK\$698,417,000 (as at 31 March 2019: Nil). The acquisition of properties in Zengcheng was terminated on 18 January 2017. The acquisition of properties in Shenyang was terminated on 24 April 2019. Based on the Group’s historical credit loss experience, the Group recognised a loss allowance for expected credit loss of approximately HK\$1,022,000 (as at 31 March 2019: approximately HK\$1,088,000) on the deposits paid.
- (iii) As at 30 September 2019 and 31 March 2019, prepayments mainly comprised prepayment of indirect cost incurred for properties under development and advertising expenses for water business.
- (iv) As at 30 September 2019 and 31 March 2019, other receivables mainly comprised other tax prepaid in the PRC, payment to third party for a potential business co-operation and cash advanced to staff.

As at 30 September 2019, one of the other receivables, from 深圳市方虹實業發展有限公司, of approximately HK\$4,177,000 (as at 31 March 2019: approximately HK\$4,445,000), represented the business guaranty margin paid for properties redevelopment project situated at 深圳市羅湖區松園路方虹大院住宅片區. The margin is refundable if all land title owners of 方虹大院住宅片區 agree to transfer their land use rights to 深圳市方虹實業發展有限公司. The management considered that the possibility of getting the refund is remote and a full provision of impairment has been made.

19. TRADE PAYABLES

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Trade payables	<u>55,079</u>	<u>81,071</u>

The following is an ageing analysis of trade payables at the end of the reporting date, based on the contract date or invoice date:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
0 to 180 days	13,283	29,322
181 to 365 days	–	13,135
Over 365 days	<u>41,796</u>	<u>38,614</u>
	<u>55,079</u>	<u>81,071</u>

20. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.25 each At 1 April 2018 (audited)	10,000,000,000	2,500,000
Capital Reorganisation 2018 (<i>note(b)</i>)	<u>240,000,000,000</u>	<u>–</u>
Ordinary shares of HK\$0.01 each At 31 March 2019 (audited), 1 April 2019 (audited) and 30 September 2019 (unaudited)	<u>250,000,000,000</u>	<u>2,500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.25 each At 1 April 2018 (audited)	6,343,690,000	1,585,923
Subscription of shares (<i>note (a)</i>)	1,268,000,000	317,000
Capital Reorganisation 2018 (<i>note (b)</i>)	<u>–</u>	<u>(1,826,806)</u>
Ordinary shares of HK\$0.01 each At 31 March 2019 (audited), 1 April 2019 (audited) and 30 September 2019 (unaudited)	<u>7,611,690,000</u>	<u>76,117</u>

Notes:

- (a) On 17 April 2018, Mr Li Yuguo agreed to subscribe 1,268,000,000 new ordinary shares at subscription price of HK\$0.25 per share. The subscription was completed on 3 August 2018.
- (b) Pursuant to a special resolution passed at a special general meeting held on 12 November 2018, the Company implemented a capital reorganisation (the “Capital Reorganisation 2018”) on 13 November 2018 which involved (i) capital reduction, pursuant to which the issued share capital of the Company were reduced by a reduction of the par value of each issued shares from HK\$0.25 to HK\$0.01, which reduction comprised a cancellation of such amount of the paid-up capital on each issued share so that each issued share were treated as one fully paid-up share of par value of HK\$0.01 in the share capital of the Company immediately following the capital reduction and the credit arising from the capital reduction were credited to the capital reserve account of the Company; and (ii) sub-division of each of the authorised but unissued shares of par value of HK\$0.25 into twenty-five new shares of par value of HK\$0.01 each.

21. SHARE OPTIONS

The Company's share options scheme was adopted on 14 January 2002 (the "2002 Share Option Scheme") for the purposes of recognition of significant contribution of and for the provision of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors of or contractors to the Group or affiliates ("Eligible Persons"). On 12 July 2011, the Company had granted 140,500,000 share options to directors, employees and other affiliates under the 2002 Share Option Scheme.

The 2002 Share Option Scheme has been terminated on 9 August 2011 and a new share option scheme (the "2011 Share Option Scheme") was adopted by the Company on 9 August 2011.

The 2011 Share Option Scheme is adopted for the same purpose of the 2002 Share Option Scheme.

Under the terms of the 2011 Share Option Scheme, the Board of Directors of the Company may for a notional consideration of HK\$1 grant option to the Eligible Persons to subscribe for shares in the Company at a price no less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a business day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option. Options granted under the 2011 Share Option Scheme must be taken up within 28 business days from the date on which the offer is made by returning a written acceptance of the offer signed by the Eligible Persons together with the payment of HK\$1 per option (the "Acceptance Conditions"). Options granted and accepted may be exercised at any time for 10 years commencing on the date on which an option is accepted in accordance with the Acceptance Conditions under the 2011 Share Option Scheme (the "Option Period"). Options granted under the scheme will be exercisable in the Option Period notwithstanding that the scheme period of the 2011 Share Option Scheme does not prescribe any minimum period for which an option must be held before it can be exercised and has not specified that the exercise of an option is subject to any performance target.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the 2011 Share Option Scheme, excluding any options lapsed in accordance with the terms of the 2011 Share Option Scheme and any other share option schemes.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. Options will not be granted to any Eligible Persons if the exercise in full of all options, including any unexercised options and shares already issued under all previous option granted, would in the 12-month period up to and including the date of such further grant enable that relevant Eligible Persons to have shares exceeding 1% of the issued shares of the Company for the time being unless separate approval by the shareholders in general meeting is obtained.

21. SHARE OPTIONS (CONTINUED)

2002 Share Option Scheme

As at 31 March 2019 the number of shares in respect of which share options remained outstanding under 2002 Share Option Scheme was 220,000 representing 0.003% of the shares of the Company in issue.

During the six months ended 30 September 2019, the remaining share options under 2002 Share Option Scheme were fully lapsed.

During the period under review, the details and movements in the share options granted under 2002 Share Option Scheme are as follows:

	Date of grant	Exercisable period	Adjusted exercise price per share (Note i) HK\$	Number of share options		
				Outstanding at 1 April 2019 (audited)	Lapsed during the period (unaudited)	Outstanding at 30 September 2019 (unaudited)
Category 1: Directors	12 July 2011	12 July 2011 – 11 July 2021	1.775	140,000	(140,000)	–
Category 2: Employees	12 July 2011	12 July 2011 – 11 July 2021	1.775	80,000	(80,000)	–
Total for all categories				<u>220,000</u>	<u>(220,000)</u>	<u>–</u>
Weighted average exercise price (HK\$)				<u>1.775</u>	<u>(1,775)</u>	<u>–</u>

Note:

- (i) The closing price of the Company's shares quoted on the Stock Exchange on the date of grant was HK\$0.071 (adjusted to HK\$1.775 upon capital reorganisation became effective on 3 June 2013).

The fair value of the share options granted were priced using the Trinomial model. The inputs into the model were as follows:

	2002 Share Option Scheme
Grant date share price	HK\$0.071
Exercise price	HK\$0.071
Adjusted exercisable price after Capital Reorganisation	HK\$1.775
Expected volatility	78.743%
Expected option life	10 years
Dividend yield	0%
Risk-free interest rate	<u>2.796%</u>

21. SHARE OPTIONS (CONTINUED)

2011 Share Option Scheme

On 31 August 2018, an ordinary resolution was duly passed by the shareholders at an annual general meeting of the Company, approving, inter alia, to refresh the scheme mandate limit under the 2011 Share Option Scheme of the Company adopted on 9 August 2011. The refreshed scheme limit as at 31 August 2018 was 761,169,000.

As at 31 March 2019, the number of shares in respect of which share options remained outstanding under 2011 Share Option Scheme was 99,400,000, representing 1.31% of the shares of the Company in issue.

During the six months ended 30 September 2019, the remaining share options under 2011 Share Option Scheme were fully lapsed.

During the period under review, the details and movements in the share options granted under 2011 Share Option Scheme are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				Outstanding at 1 April 2019 (audited)	Lapsed during the period (unaudited)	Outstanding at 30 September 2019 (unaudited)
Category 1: Directors	26 August 2014	26 August 2014 – 25 August 2024	0.352	400,000	(400,000)	–
	3 October 2014	3 October 2014 – 2 October 2024	0.520	2,000,000	(2,000,000)	–
	20 April 2015	20 April 2015 – 19 April 2025	0.395	28,000,000	(28,000,000)	–
	28 September 2016	28 September 2016 – 27 September 2026	0.261	63,000,000	(63,000,000)	–
Category 2: Employees	26 August 2014	26 August 2014 – 25 August 2024	0.352	500,000	(500,000)	–
	3 October 2014	3 October 2014 – 2 October 2024	0.520	1,000,000	(1,000,000)	–
	28 September 2016	28 September 2016 – 27 September 2026	0.261	4,500,000	(4,500,000)	–
Total for all categories				<u>99,400,000</u>	<u>(99,400,000)</u>	<u>–</u>
Weighted average exercise price (HK\$)				<u>0.307</u>	<u>0.307</u>	<u>–</u>

21. SHARE OPTIONS (CONTINUED)

2011 Share Option Scheme (Continued)

The fair value of the share options granted were pricing using the Trinomial model. The inputs into the model were as follows:

	2011 Share Option Scheme granted on			
	26 August 2014	3 October 2014	20 April 2015	28 September 2016
Grant date share price	HK\$0.345	HK\$0.520	HK\$0.395	HK\$0.255
Exercise price	HK\$0.352	HK\$0.520	HK\$0.395	HK\$0.261
Expected volatility	71.09%	71.741%	73.37%	75.617%
Expected option life	10 years	10 years	10 years	9.995 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.919%	1.969%	1.40%	0.884%

22. CONTINGENT LIABILITIES

At 30 September 2019, a wholly owned China subsidiary of the Company, 大連創和置地有限公司 (“大連創和”) provided corporate guarantees to third parties and had contingent liabilities amounting to RMB100,000,000 (At 31 March 2019: provide corporate guarantees and a pledge to third parties and had contingent liabilities amounting to RMB200,000,000), detailed as follows:

- (1) On 17 April 2014, 大連創和 provided a corporate guarantee to 大連銀行第一中心支行 (“大連銀行 (一)”) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連東潤物資回收有限公司 (“大連東潤”). In 2017, 大連銀行 (一) took a legal action against 大連東潤 for the recovery of the aforesaid loan. On 21 December 2017, 遼寧省大連市中級人民法院 (the “Court”) ordered 大連東潤 to repay the loan to 大連銀行 (一), together with relevant legal cost and interest. Since another independent guarantor of the loan, 大連順浩置業有限公司 (“大連順浩”) has pledged its properties to 大連銀行 (一) for this loan, it is believed that 大連銀行 (一) can fully recover the loan and interest from the sales proceeds of the pledged properties.
- (2) On 23 May 2014, 大連創和 provided a corporate guarantee to 大連銀行 (一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連連隆物資有限公司 (“大連連隆”). In 2017, 大連銀行 (一) took a legal action against 大連連隆 for the recovery of the aforesaid loan. On 4 January 2018, the Court ordered 大連連隆 to repay the loan to 大連銀行 (一), together with relevant legal cost and interest. Since 大連順浩 has pledged its properties to 大連銀行 (一) for this loan, it is believed that 大連銀行 (一) can fully recover the loan and interest from the sales proceeds of the pledged properties.
- (3) On 19 August 2014, 大連創和 provided a corporate guarantee to 大連銀行 (一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連澤琦貿易有限公司 (“大連澤琦”). In 2017, 大連銀行 (一) took a legal action against 大連澤琦 for the recovery of the aforesaid loan. On 21 December 2017, the Court ordered 大連澤琦 to repay the loan to 大連銀行 (一), together with relevant legal cost and interest. The loan principal of RMB50,000,000 had been repaid by 大連澤琦 on 30 December 2017. Since 大連順浩 has pledged its properties to 大連銀行 (一) for this loan, it is believed that 大連銀行 (一) can fully recover the outstanding interest from the sales proceeds of the pledged properties.

22. CONTINGENT LIABILITIES (CONTINUED)

- (4) On 13 July 2015, 大連創和 has pledged a land use right recorded as properties under development (note 15) to provide a guarantee to 大連銀行第三中心支行 (“大連銀行(三)”) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連博信高分子材料有限公司 (“大連博信”). In 2017, 大連銀行(三) took a legal action against 大連博信 for the recovery of the aforesaid loan. On 25 January 2018, the Court ordered 大連博信 to repay the loan to 大連銀行(三), together with relevant legal cost and interest. During the reporting period, this loan and its outstanding interest had been repaid by 創達地產(大連)有限公司 (“創達地產”) and the pledged land use right had been released accordingly.
- (5) On 23 November 2015, 大連創和 provided a corporate guarantee to 大連銀行(三) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連鑫海盛建設工程有限公司 (“大連鑫海盛”). In 2017, 大連銀行(三) took a legal action against 大連鑫海盛 for the recovery of the aforesaid loan. On 25 January 2018, the Court ordered 大連鑫海盛 to repay the loan to 大連銀行(三), together with relevant legal cost and interest. Since another independent guarantor of the loan, 創達地產 has pledged its properties to 大連銀行(三) for this loan, it is believed that 大連銀行(三) can fully recover the loan and interest from the sales proceeds of the pledged properties. During the reporting period, this loan and its outstanding interest had been repaid by 創達地產 and the corporate guarantee provided by 大連創和 had been released accordingly.

Correspondingly, 大連創和 obtained counter-guarantees by 創達地產. 創達地產 undertook any legal disputes and economic losses that may be suffered by 大連創和 in relation to all the aforesaid corporate guarantees and pledge. 創達地產 is a company engaged in property development. 創達地產 provided its unaudited management accounts as at 30 June 2019, which show that it had a net asset value of approximately RMB236 million and thus it had sufficient assets to cover the outstanding liabilities above.

In addition, a loan agreement of RMB245,000,000 has been signed by 大連順浩 with 大連銀行 on 27 December 2017. This loan is still undergoing the loan distribution procedures and is expected to be granted shortly to repay the loans, interests and other costs stated in (1), (2) and (3) and the corporate guarantees provided by 大連創和 will then be released.

The Directors are closely monitoring the situations and will continue to use their best endeavor to resolve the remaining corporate guarantee. The Directors are also assessing the legal position of the Group and may consider taking legal actions if appropriate.

Up to the date of this announcement, the Group did not suffer any loss from the above corporate guarantees and pledge. Having considered the counter-guarantees provided by 創達地產, pledge of valuable properties by 大連順浩 and subsequent settlement arrangements as stated above, the Directors of the Company believe that the probability of suffering any significant loss by the Group from the above corporate guarantees and pledge is low. As such, no provision for loss is made.

23. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of investment properties (<i>Note</i>)	42,625	157,937
Property development expenditure	138,348	149,008
Construction in-progress for water exploitation activities in Hunan	4,699	677
	<u>185,672</u>	<u>307,622</u>

Note: As at 31 March 2018, the commitments to acquisition of investment properties mainly included the acquisition of Shenyang Properties for which a remaining amount of approximately RMB96,236,000 was committed to be settled in accordance with the sale and purchase agreement.

On 24 April 2019, the Group entered into a termination agreement with the vendor to terminate the acquisition of Shenyang Properties. Details are set out in the announcement of the Company dated 24 April 2019.

As at 30 September 2019, the commitments of acquisition of investment properties remained the commitments to the acquisitions of Yantian Properties and Beijing Properties.

24. RELATED PARTY TRANSACTIONS

The Group has the following significant transactions with related parties during the period:

	For the six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Key management personnel remuneration		
Short-term benefits	1,667	1,653
Retirement benefits scheme	55	35
	<u>1,722</u>	<u>1,688</u>
Purchase of bottled water products from an associate	<u>1,485</u>	–

25. EVENTS AFTER REPORTING PERIOD

On 1 November 2019, Asiaciti Investment Limited (“Asiaciti”), an indirectly wholly-owned subsidiary of the Company, and Mr. Li Yuguo a substantial shareholder, the chairman and an executive Director of the Company entered into a supplemental agreement, pursuant to which, Mr. Li Yuguo agreed to repay the Refund Amount and the related compensation and interests to Asiaciti. Asiaciti agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. The completion of the supplemental agreement shall be conditional upon the fulfilment of conditions precedent. Details are set out in the announcement of the Company dated 1 November 2019.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 27 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2019, the revenue of Asia Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approximately HK\$168,618,000 (six months ended 30 September 2018: Nil). The increase in revenue was due to handover of properties in Dalian and start-up of selling bottled water products during the six months ended 30 September 2019. During the period, the Group recorded revenue from sales of properties and sales of bottled water products of approximately HK\$168,355,000 and HK\$263,000 respectively.

Cost of Sales

For the six months ended 30 September 2019, the Group’s cost of sales was approximately HK\$208,922,000 (six months ended 30 September 2018: Nil). The costs of properties and bottled water products sold were approximately HK\$208,726,000 and HK\$196,000 respectively.

Gross Loss

The Group recorded a gross loss of approximately HK\$40,304,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil). The gross loss was mainly attributable to loss on sales of properties in Dalian due to higher development costs suffered from the delay of the property development, and downturn of the property market in Dalian resulting a drop in selling price.

Loss attributable to Owners of the Company

The Group recorded a loss attributable to owners of the Company, amounted to approximately HK\$69,306,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$38,378,000). Such increase in loss was mainly due to loss on sales of properties in Dalian.

BUSINESS REVIEW

The Group continuously focuses its effort on our core business including water business, property development and property investment business. For the water mining business in Hunan, the production facilities are currently under construction and expected to commence production in 2020. For the property development business in Dalian, construction of the first phase has been completed and the Group commenced to handover the properties to the buyer from April 2019 onwards. The Group also endeavours to diversify its scope of business and product portfolio in order to diversify the risks from its existing business. During the period, the Group commenced sales of bottled water products in the PRC.

WATER BUSINESS

Water Production and Sales

Since April 2017, the Group holds 20% equity interests of Hong Kong Spring Water Ding Dong Group Company Limited (“Spring Water Ding Dong”). A wholly-owned subsidiary in Guangxi of Spring Water Ding Dong holds a water procurement permit for production and sales of bottled water and is currently in operation.

During the period under review, the Group shared losses of associates of approximately HK\$3,746,000 (six months ended 30 September 2018: approximately HK\$12,230,000).

On 4 April 2019, the Group entered into a supply agreement with the Guangxi subsidiary of Spring Water Ding Dong to procure bottled water products. During the six months ended 30 September 2019, the Group recorded revenue from sales of bottled water products of approximately HK\$263,000 and the gross profit of approximately HK\$67,000. The gross profit margin was approximately 25%.

Water Mining

Since June 2017, the Group holds 67% equity interests of Good Union (China) Limited and indirectly holds its wholly-owned subsidiary in Hunan which holds a water mining licence for exploitation of spring water. The production facilities in Hunan is currently under construction and is expected to be completed in mid 2020.

During the period under review, the Group recorded revenue of approximately HK\$263,000 (six months ended 30 September 2018: Nil) and a loss of approximately HK\$5,563,000 (six months ended 30 September 2018: approximately HK\$1,196,000) from water business. The loss mainly comprised operating expenses.

PROPERTY BUSINESS

Property Development

Dalian Properties

Our indirect wholly-owned subsidiary in the PRC, Dalian Chuanghe Landmark Co. Ltd* (大連創和置地有限公司) (“Dalian Chuanghe”) engages in the development of urban land for residential usage in Dalian, which planned to develop 55 buildings on the said land with 21 buildings in the first phase (“Phase I”) and 34 buildings in the second phase (“Phase II”).

Phase I named “Xin Tian Jia Yuan” had been completed in March 2019. There are 21 buildings established in Phase I with saleable areas of approximately 42,540 square metres including 4 eight-storey apartments (小高層), 9 garden villas (洋房) and 8 garden houses (聯排別墅). Dalian Chuanghe commenced to handover the properties to buyers from April 2019 onwards. For the six months ended 30 September 2019, approximately 25,930 square metres of properties had been handed over and revenue of approximately HK\$168,355,000 was recorded. As at 30 September 2019, Dalian Chuanghe had pre-sale contracts of approximately RMB62,239,000 (of which deposits of RMB56,765,000 received) which represented contracted gross saleable areas of around 8,500 square metres.

For the Phase II, 34 buildings with 69,000 square metres are used as the saleable area. The initiation date is expected to be after the handover of the Phase I.

Property Investment

Yantian Properties

(A) The Group entered into an acquisition agreement on 24 June 2014, a supplemental agreement on 15 April 2015, the second supplemental agreement on 12 July 2016, the third supplemental agreement on 17 May 2017 and the fourth supplemental agreement on 3 May 2018 to purchase the property at a consideration of approximately RMB100,000,000 (equivalent to approximately HK\$126,000,000).

The property to be acquired represents 46 units of Jinma Creative Industry Park (formerly known as “Kingma Information Logistic Park”) which is situated at Depot No. 2, 3rd Road and Shenyang Road Intersect, Inner Logistic Park, Yantian Bonded Area, Yantian District, Shenzhen City, the PRC* (中國深圳市鹽田區鹽田保稅區物流園內三號路與深鹽路交匯處二號堆場) (“Jinma Creative Industry Park”) with a total gross floor area of approximately 8,699 square metres.

* For identification purposes only

As at 30 September 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB90,000,000 in full in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB10,000,000 shall be paid within 30 days from the date on which the relevant building ownership certificates have been issued in favour of the purchaser which is an indirectly wholly-owned subsidiary of the Group (the “Jinma Industry Park Purchaser”). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

- (B) The Group entered into the second acquisition agreement on 15 May 2015, a supplemental agreement on 12 July 2016, the second supplemental agreement on 17 May 2017 and the third supplemental agreement on 3 May 2018 to further purchase the property at a consideration of approximately RMB65,100,000 (equivalent to approximately HK\$81,400,000). The property to be acquired represents 30 units of Jinma Creative Industry Park with a total gross floor area of approximately 5,400 square metres.

As at 30 September 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB60,000,000 in full in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB5,100,000 shall be paid within 30 days from the date on which the property has been registered under the name of the Jinma Industry Park Purchaser. The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

- (C) The Group entered into the third acquisition agreement on 10 November 2015, a supplemental agreement on 17 May 2017 and the second supplemental agreement on 3 May 2018 to further purchase the property at a consideration of approximately RMB101,600,000 (equivalent to approximately HK\$122,000,000). The property to be acquired, being a single-storey reinforced concrete building designated for office and storage uses, is the Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 30 September 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB100,000,000 in full in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB1,600,000 shall be paid within 30 days from the date on which the property has been registered under the name of the Jinma Industry Park Purchaser. The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

For Yantian Properties (A), (B) and (C), as at the date of this announcement, the vendor has still not registered the titles of the properties under the name of the Jinma Industry Park Purchaser. The approval from the PRC government authority for issuing the building ownership certificates remained pending. The Company has engaged a PRC lawyer firm to negotiate with the vendor on this matter for the possible ways to resolve the same.

Zengcheng Properties

Reference is made to the announcements of the Company dated 15 April 2015, 5 June 2015, 27 August 2015, 15 June 2016 and 18 January 2017 in relation to the acquisition of certain properties located in Jinma Waterfront Square* (金馬水岸廣場). Given that the vendor failed to deliver the physical possession of the properties within the timeframe specified in the acquisition agreements, the Group served a termination notice to the vendor on 18 January 2017 and demanded the refund of the consideration in the amount of RMB274,000,000 pursuant to the terms and conditions of the acquisition agreements and the payment of an additional sum representing not less than 3% thereof as compensation (details of which were disclosed in the announcement dated 18 January 2017). As at 30 September 2019, the Group had received a total amount of RMB212,000,000 for the refund of the paid consideration and the payment of the compensation. The Group expected that the remaining balance of the refund will be received by 31 December 2019, failing which the Group may consider taking legal action against the vendor.

Beijing Properties

The Group entered into an acquisition agreement on 28 February 2017 to purchase (a) the office premises with a gross floor area of 8,335 square metres and (b) the underground car park with a gross floor area of 3,100 square metres located in the Phase III of the Beijing Convention and Exhibition International Port (Exhibition Centre Ancillary Facilities) Project* (北京會展國際港展館配套設施項目第三期) for a consideration of approximately RMB220,000,000 (subject to adjustments).

As at 30 September 2019, the Group paid consideration of RMB200,000,000 in full in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the pre-sale agreement between the vendor and the purchaser, an indirectly wholly-owned subsidiary of the Company, in relation to the sale and purchase of the property having been entered into and the building owner certificate having been obtained by the purchaser. Currently, the Beijing Properties are under construction and are expected to be completed in 2020.

* For identification purposes only

Shenyang Properties (Terminated)

The Group entered into a sale and purchase agreement on 12 October 2017 to purchase the properties at a total consideration of RMB625,000,000 (subject to adjustments). The properties comprise Floors 7 to 35 of Building T3 situated at 46 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, PRC with a gross floor area of approximately 34,754.58 square metres, while the gross floor area of office is approximately 30,480.96 square metres.

On 24 April 2019, a termination agreement was entered into between the vendor and the purchaser, an indirectly wholly-owned subsidiary of the Company, to terminate the sale and purchase agreement in relation to the acquisition of Shenyang Properties. The vendor shall refund the total amount of deposits paid by the purchaser of RMB562,500,000 (the “Refund Amount”), together with a lump sum of monetary compensation of RMB11,250,000 on or prior to 24 October 2019. Details are set out in the announcement of the Company dated 24 April 2019.

On 1 November 2019, the purchaser further entered into a supplemental agreement with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company, pursuant to which, Mr. Li Yuguo agreed to repay the Refund Amount and the related compensation and interests to the purchaser. The purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. The completion of the supplemental agreement shall be conditional upon the fulfilment of conditions precedent. Details are set out in the announcement of the Company dated 1 November 2019.

During the period under review, the Group recorded revenue of approximately HK\$168,355,000 (six months ended 30 September 2018: Nil) and a loss of approximately HK\$49,863,000 from property development and investment business (six months ended 30 September 2018: HK\$3,863,000). The loss mainly comprised loss on sales of Dalian Properties and operating expenses.

SIGNIFICANT INVESTMENTS

As at 30 September 2019, the Group had significant investments in equity securities classified as financial assets at fair value through profit or loss. The details are set out as follows:

Stock code	Name of investee company	Number of shares held as at 30 September 2019	Percentage of shareholdings as at 30 September 2019	Carrying amount as at 31 March 2019 <i>HK\$'000</i>	Unrealised	Fair value as at 30 September 2019 <i>HK\$'000</i>	Percentage of	Percentage of
					fair value gain/(loss) for the six months ended 30 September 2019 <i>HK\$'000</i>		total financial assets at fair value through profit or loss as at 30 September 2019	
640	Infinity Development Holdings Company Limited	1,000,000	0.17%	610	60	670	18.06%	0.02%
747	Shenyang Public Utility Holdings Company Limited	13,100,000	2.16%	3,930	(891)	3,039	81.94%	0.13%
				4,540	(831)	3,709	100%	0.15%

Brief description of the principal business and the future prospect of the investee companies are set out below:

Name of investee company	Principal business and future prospect
Infinity Development Holdings Company Limited	<p data-bbox="681 380 1449 640">That company is principally engaged in the manufacturing and sales of adhesives, primers, hardeners, vulcanised shoes adhesive related products used by the footwear manufacturers and acting as the sales agent for adhesive used in the production of electronic products.</p> <p data-bbox="681 700 1449 1547">As disclosed in the interim report of that company for the six months ended 31 March 2019, due to the continual growth in global demand for footwear, more stringent requirement from the manufacturers for the quality of adhesives which would gradually eliminate industry players with less competitiveness, rapid increase in the demand for the use of environmental friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to countries or regions with lower costs, the effect of the previous regional deployments of that company is becoming prominent under the swift changes in the market. Moreover, that company has been establishing a good reputation for our premium and quality products and maintaining good strategic relationships with their prestige customers for a number of years. As such, that company expects that the growth of that group's sales will be at a steady pace in 2019.</p>

Shenyang Public Utility Holdings
Company Limited

That company's principal businesses are construction of infrastructure and development of properties and credit business.

As disclosed in the interim report of that company for the six months ended 30 June 2019, that company will continue to push forward the infrastructure construction business. At the same time, that company is identifying potential investment to expand the business into property management and investment.

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, capital market conditions, investor sentiment and the business performance of the investee companies. The Board will continue to look for attractive investment opportunities which can generate better returns to its shareholders.

Save as disclosed above, there were no other significant investments by the Group during the period under review.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

FUND RAISING ACTIVITIES OF THE GROUP

Placing of Shares on 3 August 2018

The net proceeds (net of all relevant costs and expenses) from placing of shares under special mandate on 3 August 2018 were approximately HK\$316,500,000. Details of the placing of shares were set out in the announcements of the Company dated 17 April 2018 and 3 August 2018 and the circular of the Company dated 5 June 2018.

Up to 30 September 2019, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation		Actual use of net proceeds	Actual allocation of net proceeds		Utilisation	Remaining balance
	of net proceeds	% of net proceeds		net proceeds	% of net proceeds	up to 30 September 2019	of net proceeds as at 30 September 2019
	HK\$' million	% of net proceeds		HK\$' million	% of net proceeds	HK\$' million	HK\$' million
Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	5.5	50.5
Potential acquisition of business or companies	213.0	67.3%	Acquisition of Shenyang Properties	213.0	67.3%	213.0	–
Working capital of the Group	47.5	15.0%	Working capital of the Group	47.5	15.0%	11.0	36.5
	<u>316.5</u>	<u>100.0%</u>		<u>316.5</u>	<u>100.0%</u>	<u>229.5</u>	<u>87.0</u>

With a view to putting the Company's resources to a better use, the Board had therefore temporarily re-allocated the aforesaid unutilised net proceeds of approximately HK\$74.0 million (equivalent to approximately RMB62.5 million) for the use of acquisition of Shenyang Properties. Refer to the announcements dated 24 April 2019 and 1 November 2019, the acquisition of Shenyang Property had been terminated and the Refund Amount of RMB562.5 million and related compensation and interests are expected to be repaid to the Group on or prior to 24 April 2020. The Board will deploy the unutilised net proceeds of HK\$74.0 million back to the capital expenditure on production facilities of Hunan Xintian and working capital of the Group as and when appropriate after taking into account the market environment at the material time.

The unutilised net proceeds for the use of the capital expenditure on the production facilities of Hunan Xintian is expected to be used in 2020 and that for the use of working capital will continue to be used on the daily operations of the Group.

CAPITAL STRUCTURE

Total equity attributable to owners of the Company decrease from approximately HK\$2,213,608,000 as at 31 March 2019 to approximately HK\$2,108,401,000 as at 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of approximately HK\$2,425,305,000 (as at 31 March 2019: approximately HK\$2,720,466,000) which was financed by current liabilities of approximately HK\$181,718,000 (as at 31 March 2019: approximately HK\$371,716,000), non-current liabilities of approximately HK\$17,131,000 (as at 31 March 2019: approximately HK\$16,452,000), non-controlling interests of approximately HK\$118,055,000 (as at 31 March 2019: approximately HK\$118,690,000) and the shareholder's equity of approximately HK\$2,108,401,000 (as at 31 March 2019: approximately HK\$2,213,608,000).

As at 30 September 2019, the Group's current ratio was approximately 7.3 (as at 31 March 2019: approximately 2.6).

As at 30 September 2019, except for the capital commitments amounting to approximately HK\$185,672,000 (as at 31 March 2019: approximately HK\$307,622,000), the Group had no other material capital commitments. Details are set out in note 23 to the interim financial statements.

As at 30 September 2019, the Group had contingent liabilities amounting to RMB100,000,000 (as at 31 March 2019: RMB200,000,000). Details are set out in note 22 to the interim financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 25 to the interim financial statements.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group mainly exposes to the RMB, arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 53 employees in Hong Kong and the PRC as at 30 September 2019. The total cost (staff salaries, directors' emoluments and other staff costs) for the six months ended 30 September 2019 amounted to approximately HK\$7,421,000 (six months ended 30 September 2018: HK\$5,182,000). Remuneration packages are generally formulated according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidises employees in various training and continuous education programs.

CHARGES ON GROUP ASSETS

Save and except for those disclosed in the notes to the interim financial statements, as at 30 September 2019, no property, plant and equipment of the Group has been pledged to secure credit facilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of maintaining a high standard of corporate governance with an aim to protect the interest of shareholders.

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") of the Listing Rules. During the six months ended 30 September 2019, the Company complied with all applicable provisions of the Code except for the deviation as stated below:

1. Under Code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavours to give 14 days' advanced notifications of board meeting to the extent practicable.

2. Under Code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action which may be taken against the Directors. The directors' and officers' liability insurance maintained by the Company has expired on 20 May 2018. As the Company has not yet reach an agreement with an insurer regarding the terms and insurance premium of new insurance policy, insurance cover in respect of legal action which may be taken against the Directors has not been in place since 21 May 2018. The Company will continue to liaise with the insurer on the same.
3. Under Code provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, three independent non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 4 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2019.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting standards and practices adopted by the Group, discussed auditing, internal controls and financial reporting matters and reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2019.

By Order of the Board
Asia Resources Holdings Limited
Li Yuguo
Chairman

Hong Kong, 27 November 2019

As at the date of this announcement, the Board consists of three executive directors, Mr. Li Yuguo, Mr. Liu Yan Chee James and Ms. Guo Yumei; two non-executive directors, Mr. Yang Xiaoqiang and Mr. Huang Yilin; and three independent non-executive directors, Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man.