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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 2020

The board (the “Board”) of directors (the “Directors”) 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 2020 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 2020

	<i>Notes</i>	For the six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	17,957	168,618
Cost of sales		(11,314)	(208,922)
Operating profit/(loss)		6,643	(40,304)
Other gains	6	52,118	624
Selling and distribution expenses		(430)	(6,361)
Administrative expenses		(15,102)	(19,629)
Share of results of associates		(3,330)	(3,746)
Gain on bargain purchase	22	1,856	–
Finance costs	7	(357)	(205)
Profit/(loss) before taxation	8	41,398	(69,621)
Taxation	9	(36)	–
Profit/(loss) for the period		41,362	(69,621)

* For identification purposes only

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

For the six months ended 30 September 2020

	For the six months ended	
	30 September	
	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	37,351	(36,322)
Share of other comprehensive income of associates	36	101
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	37,387	(36,221)
	<hr/>	<hr/>
Total comprehensive income for the period	78,749	(105,842)
	<hr/>	<hr/>
Profit/(loss) attributable to:		
– Owners of the Company	41,433	(69,306)
– Non-controlling interests	(71)	(315)
	<hr/>	<hr/>
	41,362	(69,621)
	<hr/>	<hr/>
Total comprehensive income attributable to:		
– Owners of the Company	78,600	(105,207)
– Non-controlling interests	149	(635)
	<hr/>	<hr/>
	78,749	(105,842)
	<hr/>	<hr/>
	<i>HK\$</i>	<i>HK\$</i>
Earnings/(loss) per share attributable to owners of the Company:		
– Basic and diluted	<i>10</i> 0.005	(0.009)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	12	125,092	–
Property, plant and equipment	13	32,521	17,890
Intangible assets	14	337,225	336,766
Interests in associates	15	197,782	201,076
Deposits paid	19	507,409	487,084
Right-of-use assets		1,547	2,910
		1,201,576	1,045,726
Current assets			
Properties under development	16	227,440	218,330
Completed properties held for sale	17	89,407	99,265
Inventories		–	299
Trade receivables	18	577	234
Prepayments, deposits and other receivables	19	651,409	697,500
Amount due from an associate	15	2,274	2,420
Financial assets at fair value through profit or loss		2,484	2,855
Income tax prepaid		–	248
Restricted bank deposit		2,591	2,484
Bank balances and cash		18,932	46,063
		995,114	1,069,698
Current liabilities			
Trade payables	20	74,590	72,995
Other payables and accruals		53,525	61,833
Contract liabilities		42,994	52,966
Lease liabilities		1,489	2,356
Tax payables		4	435
		172,602	190,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 September 2020*

		At 30 September 2020 <i>Notes</i> HK\$'000 (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Net current assets		<u>822,512</u>	<u>879,113</u>
Total assets less current liabilities		<u>2,024,088</u>	<u>1,924,839</u>
Capital and reserves			
Share capital	<i>21</i>	76,117	76,117
Reserves		<u>1,814,011</u>	<u>1,735,411</u>
Total equity attributable to owners of the Company		1,890,128	1,811,528
Non-controlling interests		<u>102,338</u>	<u>102,189</u>
		<u>1,992,466</u>	<u>1,913,717</u>
Non-current liabilities			
Deferred tax liabilities		31,622	10,577
Lease liabilities		<u>–</u>	<u>545</u>
		<u>31,622</u>	<u>11,122</u>
		<u>2,024,088</u>	<u>1,924,839</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 address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business of the Company is Room 2601, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, 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 property sales, investment operations and tradings of bottle water in the People’s Republic of China (the “PRC”).

The interim financial statements are presented in Hong Kong dollars (HK\$) and all amounts have been rounded to the nearest thousand (HK\$’000), unless otherwise indicated.

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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial statements were approved for issue on 24 November 2020. 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 investment properties and certain financial instruments, which are measured at fair values.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are or have become effective for the Group’s financial year beginning on 1 April 2020.

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to HKFRSs does not have a material impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standards, interpretation or amendments that have been issued but are not yet effective.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current period.

(a) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including those held for sale, are measured at fair value using the fair value model adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

(b) Leases

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred lease payments. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

(d) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 operating segments during the period. These segments are managed separately.

- (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 property investment business, the CODM regularly reviews the performance of the property development and property investment business. These operations have been aggregated into a single operating segment and named "Property development and investment".

4. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 September

	Water business		Property development and investment		Consolidation	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales to external customers	<u>1</u>	<u>263</u>	<u>17,956</u>	<u>168,355</u>	<u>17,957</u>	<u>168,618</u>
Total revenue	<u>1</u>	<u>263</u>	<u>17,956</u>	<u>168,355</u>	<u>17,957</u>	<u>168,618</u>
Segment results	(2,328)	(5,563)	57,565	(49,863)	55,237	(55,426)
Fair value losses on financial assets at fair value through profit or loss					(371)	(831)
Central administration costs					(11,637)	(9,413)
Gain on bargain purchase					1,856	-
Share of results of associates					(3,330)	(3,746)
Finance costs					<u>(357)</u>	<u>(205)</u>
Profit/(loss) before taxation					<u>41,398</u>	<u>(69,621)</u>

4. SEGMENT INFORMATION (CONTINUED)

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

	Water business		Property development and investment		Consolidation	
	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
ASSETS						
Segment assets	371,056	371,019	1,609,266	1,496,306	1,980,322	1,867,325
Unallocated corporate assets					216,368	248,099
					<u>2,196,690</u>	<u>2,115,424</u>
LIABILITIES						
Segment liabilities	(4,758)	(5,120)	(178,139)	(159,077)	(182,897)	(164,197)
Unallocated corporate liabilities					(21,327)	(37,510)
					<u>(204,224)</u>	<u>(201,707)</u>

5. REVENUE

	For the six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Sales of properties	13,255	168,355
Sales of bottled water products	1	263
Rental income	4,701	—
	<u>17,957</u>	<u>168,618</u>

6. OTHER GAINS

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	29,383	–
Interest income on bank deposit	75	79
Exchange gain, net	22,601	201
Sundry	59	344
	<u>52,118</u>	<u>624</u>

7. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on lease liabilities	100	205
Interest on other payables	257	–
	<u>357</u>	<u>205</u>

8. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The Group's profit/(loss) before taxation is arrived at after charging:		
Amortisation of land use right	100	103
Depreciation of right-to-use assets	1,381	1,379
Depreciation of property, plant and equipment	1,321	412
Staff costs (including directors' remuneration)	4,556	7,421
Lease payment not include in the measurement of lease liabilities	261	–
Fair value loss on financial assets at fair value through profit or loss	371	831
	<u>371</u>	<u>831</u>

9. TAXATION

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
– PRC Enterprise Income Tax	57	–
Over-provision in prior years	(21)	–
	<hr/>	<hr/>
Charge for the period	<u>36</u>	<u>–</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the assessable profit arising in Hong Kong for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 September 2020 and 2019.

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

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the following data:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(Loss)		
Profit/(Loss) for the period attributable to the owners of the Company	<u>41,433</u>	<u>(69,306)</u>
	<i>'000 Shares</i>	<i>'000 Shares</i>
	(unaudited)	(unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>7,611,690</u>	<u>7,611,690</u>

The basic and diluted earnings per share are the same for the six months ended 30 September 2020 and 2019, as there are no dilutive potential ordinary shares in existence.

11. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

12. INVESTMENT PROPERTIES

	At 30 September 2020 HK\$'000 (unaudited)
Acquisition of a subsidiary (<i>note 22</i>)	120,830
Exchange realignment	<u>4,262</u>
At the end of the period	<u>125,092</u>

(a) Amount recognised in profit or loss for investment properties

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental income from operating leases	4,701	–
Direct operating expenses on investment properties	<u>123</u>	<u>–</u>

On 24 June 2020, the Group completed the acquisition of investment properties through acquisition of a subsidiary at a consideration of RMB100,000,000. Investment properties are situated in PRC and are held under medium-term leases. Details of the acquisition are set out in note 22.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group purchased property, plant and equipment of approximately HK\$94,000 (six months ended 30 September 2019: approximately HK\$7,201,000) and acquired property, plant and equipment through acquisition of a subsidiary of approximately HK\$14,619,000 (six months ended 30 September 2019: Nil).

14. INTANGIBLE ASSETS

	Land use right <i>HK\$'000</i> <i>(Note i)</i>	Water mining licence <i>HK\$'000</i> <i>(Note ii)</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2019 (audited)	10,613	374,412	385,025
Exchange realignment	(709)	(280)	(989)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020 (audited)	9,904	374,132	384,036
Exchange realignment	414	163	577
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2020 (unaudited)	<u>10,318</u>	<u>374,295</u>	<u>384,613</u>
Accumulated amortisation and impairment			
At 1 April 2019 (audited)	150	–	150
Amortisation for the year	203	–	203
Impairment for the year	–	46,932	46,932
Exchange realignment	(15)	–	(15)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020 (audited)	338	46,932	47,270
Amortisation for the period	100	–	100
Exchange realignment	18	–	18
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2020 (unaudited)	<u>456</u>	<u>46,932</u>	<u>47,388</u>
Carrying amount			
At 30 September 2020 (unaudited)	<u>9,862</u>	<u>327,363</u>	<u>337,225</u>
At 31 March 2020 (audited)	<u>9,566</u>	<u>327,200</u>	<u>336,766</u>

14. INTANGIBLE ASSETS (CONTINUED)

Notes:

- (i) 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.

Land use right is amortized on a straight-line basis over its lease term. The lease term of the land use right is 50 years.

- (ii) 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 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.

15. INTERESTS IN ASSOCIATES

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
At the beginning of the period/year	201,076	210,517
Share of post-acquisition losses and other comprehensive income during the period/year, net of dividends received	<u>(3,294)</u>	<u>(9,441)</u>
At the end of the period/year	<u>197,782</u>	<u>201,076</u>
	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Amount due from an associate	<u>2,274</u>	<u>2,420</u>

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

15. 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 2020 (unaudited)	At 31 March 2020 (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 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Current assets	<u>29,965</u>	<u>21,125</u>
Non-current assets	<u>108,026</u>	<u>106,871</u>
Current liabilities	<u>177,822</u>	<u>177,632</u>
	For the six months ended	
	30 September 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	<u>21,352</u>	<u>18,558</u>
Loss for the period	<u>(16,652)</u>	<u>(18,731)</u>
Other comprehensive income	<u>181</u>	<u>507</u>
Total comprehensive income	<u>(16,471)</u>	<u>(18,224)</u>

* For identification purposes only

15. INTERESTS IN ASSOCIATES (CONTINUED)

Reconciliation of the net liabilities of the associates as at acquisition date to the carrying amount of the interests in associates recognised in the interim financial statements is as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <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	20%	20%
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	(37,110)	(33,816)
	<u>197,782</u>	<u>201,076</u>
Carrying amount of the Group's interests in associates	<u>197,782</u>	<u>201,076</u>

There is no commitment and contingent liabilities under the associates.

16. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Properties under development	320,533	307,694
Less: provision for impairment	(93,093)	(89,364)
	<u>227,440</u>	<u>218,330</u>

Properties under development are the residential properties located at Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC under development for sale.

As at 30 September 2020, the carrying amount of the properties under development included land use rights of approximately HK\$117,850,000 (as at 31 March 2020: approximately HK\$113,130,000).

The carrying amount of properties under development was analysed as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>227,440</u>	<u>218,330</u>

17. COMPLETED PROPERTIES HELD FOR SALE

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Completed properties held for sale	146,699	162,005
Less: Provision for impairment	<u>(57,292)</u>	<u>(62,740)</u>
	<u>89,407</u>	<u>99,265</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.

18. TRADE RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	<u>577</u>	<u>234</u>

The aging analysis of the Group's trade receivables as of each reporting date is as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
0 to 180 days	389	–
181 to 365 days	<u>188</u>	<u>234</u>
	<u>577</u>	<u>234</u>

The Group's trade receivables are denominated in RMB.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Non-current assets:		
Deposits for acquisition of investment properties, net (<i>note i</i>)	<u>507,409</u>	<u>487,084</u>
Current assets:		
Deposits paid, net (<i>note ii</i>)	547,061	614,689
Prepayments (<i>note iii</i>)	2,138	1,560
Amount due from the substantial shareholder (<i>note v</i>)	40,660	26,583
Other receivables, net (<i>note iv</i>)	<u>61,550</u>	<u>54,668</u>
	<u>651,409</u>	<u>697,500</u>

Notes:

(i) Properties in Yantian

As at 30 September 2020, deposits paid of approximately HK\$278,865,000 (net of provision for impairment of approximately HK\$5,435,000) (as at 31 March 2020: approximately HK\$267,694,000, net of provision for impairment of approximately HK\$5,218,000) were related to three acquisitions of properties in Yantian where the physical possession of the properties has been delivered to the Group. According to the supplemental agreement disclosed in the announcement 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. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the matter of ownership certificate. The Company has engaged a PRC law firm to negotiate with the vendor to resolve this matter.

Properties in Beijing

As at 30 September 2020, deposit paid of approximately HK\$208,108,000 (net of provision for impairment of approximately HK\$19,332,000) (as at 31 March 2020: approximately HK\$199,772,000, net of provision for impairment of approximately HK\$18,558,000) was related to acquisition of properties in Beijing. Details are set out in the announcement of the Company dated 28 February 2017.

Naming right of buildings in Shenzhen

As at 30 September 2020, deposit paid of approximately HK\$20,436,000 (as at 31 March 2020: approximately HK\$19,618,000) was related to naming right of two buildings located in Shenzhen.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (ii) As at 30 September 2020, deposits paid were mainly relating to acquisition of properties in Zengcheng and acquisition of properties in Shenyang (“Shenyang Properties”).

Properties in Zengcheng

The acquisition of properties in Zengcheng was terminated on 18 January 2017. Based on the Group’s historical credit loss experience, the Group recognised a loss allowance for expected credit loss on the deposits paid. As at 30 September 2020, approximately HK\$70,506,000 (as at 31 March 2020: approximately HK\$67,682,000) of the deposit paid was fully impaired. The Group’s legal advisors has issued demand letters to the vendor for the repayment of the remaining balance of the paid consideration and related compensation. The Group may take further legal action to resolve this matter, if necessary.

Shenyang Properties

As at 30 September 2020, deposits paid of approximately HK\$546,424,000 (as at 31 March 2020: approximately HK\$614,053,000) was related to acquisition of Shenyang Properties. Details of the acquisition of Shenyang Properties are set out in the announcement and the circular of the Company dated 12 October 2017 and 22 January 2018 respectively.

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

On 1 November 2019, the Group entered into a supplemental agreement with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company and the ultimate beneficial owner of the vendor pursuant to which, Mr. Li agreed to take up the responsibilities to repay the Refund Amount and the related compensation and interests to the Group, and provide his personal assets as securities. The Group agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. Details of which are set out in the announcements of the Company dated 1 November 2019, 22 January 2020 and 27 February 2020 and the circular of the Company dated 6 February 2020.

On 29 April 2020, the Company published an announcement on the event of default in relation to the payment of the Refund Amount and related compensation and interest accrued thereon. On 8 May 2020, the Company set up a special committee, with 3 independent non-executive directors as members, to handle the repayment and/or the recovery of the Refund Amount. The Company also engaged independent legal advisors to work with the special committee. Details of event of default and the special committee are set out in the announcements of the Company dated 29 April 2020 and 8 May 2020 respectively.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

On 3 July 2020, the Group and Mr. Li entered into the further supplemental agreement, pursuant to which, Mr. Li agreed to repay the Group the outstanding amount in sum of RMB584,778,676.47 (the “Outstanding Sum”) in the following manner: (a) 10% of the Outstanding Sum shall be repaid on or before 2 January 2021; and (b) 90% of the Outstanding Sum together with the interest to be accrued on the Outstanding Sum at an interest rate of 10% per annum shall be repaid on or before 2 July 2021. Details are set out in the announcement and the circular of the Company dated 7 July 2020 and 24 August 2020 respectively.

Up to 30 September 2020, the Group has received from Mr. Li the accrued interest of RMB15,076,270.14 in accordance with the supplemental agreement and partial repayment of the Outstanding Sum of RMB82 million in accordance with the further supplemental agreement.

- (iii) As at 30 September 2020 and 31 March 2020, prepayments mainly comprised prepayment of indirect cost incurred for properties under development.
- (iv) As at 30 September 2020 and 31 March 2020, other receivables mainly comprised other taxes prepaid in the PRC, advance payments for business related matters and cash advanced to staff.
- (v) As at 30 September 2020 and 31 March 2020, amount due from the substantial shareholder, Mr. Li Yuguo, represented the compensation and interests receivable relating to the termination of the acquisition of Shenyang Properties as detailed in (ii).

20. TRADE PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	<u>74,590</u>	<u>72,995</u>

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

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
0 to 180 days	10,213	8,337
181 to 365 days	–	28,543
Over 365 days	<u>64,377</u>	<u>36,115</u>
	<u>74,590</u>	<u>72,995</u>

21. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019 (audited), 31 March 2020 (audited), 1 April 2020 (audited) and 30 September 2020 (unaudited)	<u>250,000,000,000</u>	<u>2,500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019 (audited), 31 March 2020 (audited), 1 April 2020 (audited) and 30 September 2020 (unaudited)	<u>7,611,690,000</u>	<u>76,117</u>

22. ACQUISITION OF SUBSIDIARIES

Acquisition of Chi Sheng Trading Company Limited (“Chi Sheng”)

During the six months ended 30 September 2020, the Group acquired 100% of the issued share capital of, and the shareholder’s loan advanced to, Chi Sheng at a consideration of RMB100 million. Chi Sheng is principally engaged in investment holding and its subsidiary is principally engaged in property investment. The acquisition has been completed on 24 June 2020.

	Carrying amount <i>HK\$’000</i>	Fair value adjustment <i>HK\$’000</i>	Fair value <i>HK\$’000</i>
The identifiable assets acquired and the liabilities assumed at the date of acquisition			
Investment properties	41,223	79,607	120,830
Property, plant and equipment	14,619	–	14,619
Trade receivables	36	–	36
Prepayments, deposits and other receivables	1,969	–	1,969
Bank balances and cash	3,064	–	3,064
Trade payables	(33)	–	(33)
Other payables and accruals	(8,882)	–	(8,882)
Deferred tax liabilities	–	(19,902)	(19,902)
Identifiable net assets	51,996	59,705	111,701
Gain on bargain purchase			(1,856)
Total consideration			<u>109,845</u>
Net cash outflow from the acquisition			
Cash consideration paid			109,845
Bank balances and cash acquired			<u>(3,064)</u>
			<u>106,781</u>

The Group recognised a gain on bargain purchase of approximately HK\$1,856,000 in the business combination as a result of the fair value of Chi Sheng’s identifiable net assets over the sum of the consideration transferred. The fair value of the identifiable net assets at the date of acquisition is referenced to a valuation report issued by AP Appraisal Limited, an independent qualified valuer.

Chi Sheng contributed a profit for the period of approximately HK\$3,724,000 to the Group’s results for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2020, the Group’s revenue for the period would have been approximately HK\$19,645,000, and the Group’s profit for the period would have been approximately HK\$42,080,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved, had the acquisition been completed on 1 April 2020, nor is intended to be a projection of future results.

23. FINANCIAL GUARANTEE LIABILITIES

At 30 September 2020, a wholly owned subsidiary of the Company, 大連創和置地有限公司 (“大連創和”), incorporated in the PRC, provided corporate guarantees to third parties amounting to approximately RMB100,000,000 (At 31 March 2020: approximately RMB100,000,000), 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 28 December 2017, 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.

Correspondingly, 大連創和 obtained counter-guarantees by 創達地產(大連)有限公司 (“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.

On 27 December 2017, a restructuring loan agreement was signed by 大連順浩 with 大連銀行. Under this agreement, a new loan of RMB245,000,000 was granted to 大連順浩 for the repayment of the loans, interests and other cost stated in (1), (2) and (3) and then the corporate guarantee provided by 大連創和 will be released. However, the procedure to release the corporate guarantee is still in progress.

23. FINANCIAL GUARANTEE LIABILITIES (CONTINUED)

The Directors are closely monitoring the situations and will continue to use their best endeavor to resolve the remaining corporate guarantee above. 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 interim financial statements, the Group did not suffer any loss from the above corporate guarantees. 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, in the opinion of the Directors, the fair values of the financial guarantee contracts are insignificant at initial recognition as the probability of suffering any significant loss by the Group from the above corporate guarantees is low. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

24. CAPITAL COMMITMENTS

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

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Contracted but not provided for:		
Acquisition of investment properties	44,096	42,330
Property development expenditure	103,700	99,935
Construction in-progress for water exploitation activities in Hunan	804	772
	148,600	143,037

25. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) Transaction relating to a substantial shareholder

- (i) On 24 April 2019, the Group terminated the agreement to acquire properties located at Shenyang from the 遼寧京豐置業有限公司 (the “Vendor”). The Vendor is beneficially owned by Mr. Li Yuguo, who is a substantial shareholder, the chairman and the executive Director of the Company. For the details, please refer to note 19(ii). Relating to the termination of the acquisition, interest income receivable was recognised as follows:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	<u>29,378</u>	<u>–</u>

- (ii) On 4 April 2019, the Group entered into a supply agreement with the associate, 廣西泉水叮咚飲品有限公司, pursuant to which the associate has agreed to supply, and the Group has agreed to procure the bottled water products at a consideration of approximately RMB1,440,000. Details of which are set out in the announcement of the Company dated 4 April 2019.

(b) Remuneration of key management personnel

The remuneration of key management personnel during the reporting period was at follows:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	1,568	1,667
Retirement benefits scheme	<u>53</u>	<u>55</u>
	<u>1,621</u>	<u>1,722</u>

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 24 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2020 (the “Reporting Period”), the revenue of Asia Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approximately HK\$17,957,000, of which revenue from sales of properties, rental income and sales of bottled water products were approximately HK\$13,255,000, HK\$4,701,000 and HK\$1,000 respectively (six months ended 30 September 2019: approximately HK\$168,618,000, of which revenue from sales of properties and sale of bottled water products were approximately HK\$168,355,000 and HK\$263,000 respectively). The decrease was mainly because (i) over 72% of total saleable area of the completed properties held for sale in Dalian, the People’s Republic of China (the “PRC”) had been handed over to buyers for which the corresponding revenue was recognised for the year ended 31 March 2020 and as a result the remaining saleable area significantly decreased; and (ii) the sales and handover of the remaining completed properties held for sale were slowed down during the Reporting Period due to the outbreak of COVID-19 pandemic.

Cost of Sales

For the Reporting Period, the Group’s cost of sales mainly represented the cost of properties sold of approximately HK\$11,314,000.

For the six months ended 30 September 2019, total cost of sales was approximately HK\$208,922,000 of which the costs of properties and bottled water products sold were approximately HK\$208,726,000 and HK\$196,000 respectively.

Operating Profit/Loss

For the Reporting Period, the Group recorded an operating profit of approximately HK\$6,643,000. The operating profit was mainly attributable to rental income after acquisition of Chi Sheng Trading Company Limited, which in turn wholly-owned a subsidiary in Zhejiang, the PRC and minimal profit from sales of properties.

For the six months ended 30 September 2019, the Group recorded an operating loss of approximately HK\$40,304,000. The operating loss was mainly attributable to the loss on sales of properties in Dalian due to higher development costs arising from the delay of the property development, and downturn of the property market in Dalian resulting in a drop in selling price.

Other Gains

For the Reporting Period, the Group recorded other gains of approximately HK\$52,118,000 (six months ended 30 September 2019: approximately HK\$624,000). The increase was mainly due to interest income receivable by the Group relating to the termination of acquisition of properties located in Shenyang, the PRC (the “Shenyang Properties”) (details of which were disclosed in the circular of the Company date 24 August 2020) and exchange gains of monetary assets derived from appreciation of Renminbi.

Selling and Distribution Expenses

For the Reporting Period, selling and distribution expenses primarily consist of agency fee and promotion fee, which were approximately HK\$430,000 (six months ended 30 September 2019: approximately HK\$6,361,000). The decrease was mainly attributable to the slowdown of sales of properties in Dalian due to the outbreak of COVID-19 pandemic.

Administrative Expenses

For the Reporting Period, administrative expenses primarily consist of directors’ emoluments, other staff costs and benefits, depreciation, legal and professional fee and other general office expenses, which were approximately HK\$15,102,000 (six months ended 30 September 2019: approximately HK\$19,629,000). The decrease was mainly due to drop in staff costs as a result of the decrease in the number of staff.

Share of Results of Associates

For the Reporting Period, share of losses of associates was approximately HK\$3,330,000 (six months ended 30 September 2019: approximately HK\$3,746,000). Decrease in losses was because the associates had a slight growth in sales and received a development reward from Luocheng County Finance Bureau, Hechi City, Guangxi Province* (廣西省河池市羅城縣財政局) during the Reporting Period.

Profit/Loss attributable to Owners of the Company

For the Reporting Period, the Group recorded a profit attributable to owners of the Company, amounted to approximately HK\$41,433,000 (six months ended 30 September 2019: loss of approximately HK\$69,306,000). The turnaround from loss for the period in 2019 to profit for the Reporting Period was mainly attributable to (i) a turnaround from gross loss to gross profit on sales of properties located in Dalian; (ii) interest income receivable by the Group relating to the termination of acquisition of the Shenyang Properties; and (iii) exchange gains of monetary assets derived from appreciation of Renminbi.

* For identification purposes only

BUSINESS REVIEW

The Group continuously focuses its effort on its core businesses including water business, property development and property investment business. Affected by Sino-US trade dispute and the outbreak of COVID-19 pandemic, it gives rise to an uncertain economic environment to the global market and the PRC's economic growth has slowed down. The Group is facing challenges on its core businesses from these factors.

WATER BUSINESS

The Group recorded a loss from water business segment of approximately HK\$2,328,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$5,563,000). The decrease in loss was mainly attributable to decrease in advertising expenses and staff costs.

Water Production and Sales

The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited (“Spring Water Ding Dong”) which has a wholly-owned subsidiary in Guangxi (“Guangxi Spring Water Ding Dong”). Guangxi Spring Water Ding Dong possesses a water procurement permit for production and sales of bottled water and is currently in operation in Guangxi.

During the Reporting Period, the Group shared losses of associates of approximately HK\$3,330,000 (six months ended 30 September 2019: approximately HK\$3,746,000), which were mainly caused by the depreciation of property, plant and equipment and amortization of water procurement permit. Losses decreased because Guangxi Spring Water Ding Dong had a slight growth in sales and received a development reward from Luocheng County Finance Bureau, Hechi City, Guangxi Province* (廣西省河池市羅城縣財政局) during the Reporting Period.

For the Group's trading of bottled water products, affected by the outbreak of COVID-19 pandemic, the Group recorded a minimal revenue from sales of bottled water products of approximately HK\$1,000 during the Reporting Period (six months ended 30 September 2019: approximately HK\$263,000).

* *For identification purposes only*

Water Mining

The Group holds 67% equity interests of Good Union (China) Limited which has a wholly-owned subsidiary in Hunan. It possesses a water mining licence for exploitation of mineral water in Hunan. Due to the outbreak of COVID-19 pandemic since January 2020, the construction works of the factory are suspended and delayed. We have been actively communicating with the local government authorities and contractors in order to resume the construction works as soon as possible. We expect that the construction works will be resumed in early 2021 and will be completed in late 2021. The production is expected to commence in the first half of 2022.

In accordance with the sale and purchase agreement dated 23 May 2017, the vendor, who is currently the minority shareholder of Good Union (China) Limited, has committed a production volume guarantee on Hunan project from 2019 to 2028. For details, please refer to the announcement of the Company dated 23 May 2017. However, the vendor was not able to satisfy the production volume guarantee for the year 2019 since production has not commenced yet. The Group has issued a demand letter to the vendor and is currently negotiating with the vendor.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT BUSINESS

The Group recorded a profit from property development and investment segment of approximately HK\$57,565,000 for the Reporting Period (six months ended 30 September 2019: loss of approximately HK\$49,863,000). Turnaround from loss to profit was mainly attributable to (i) turnaround from gross loss to gross profit on sales of properties located in Dalian; (ii) interest income receivable by the Group relating to the termination of acquisition of the Shenyang Properties; and (iii) exchange gains of monetary assets derived from appreciation of Renminbi.

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”).

* For identification purposes only

Phase I named “Xin Tian Jia Yuan” had been completed in March 2019. There are 21 buildings established in Phase I with total 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 in April 2019. For the Reporting Period, approximately 1,800 square metres (six months ended 30 September 2019: approximately 25,930 square metres) of properties had been handed over and revenue of approximately HK\$13,255,000 (six months ended 30 September 2019: approximately HK\$168,355,000) was recorded. Up to 30 September 2020, over 75% of the total saleable areas of Phase I had been handed over to the buyers. As at 30 September 2020, Dalian Chuanghe had sale contracts with total contract amount of approximately RMB38,573,000 with gross saleable areas of around 5,000 square metres which would be handed over gradually afterwards.

For Phase II, there are 34 buildings with aggregate saleable area of approximately 69,000 square metres. Due to the outbreak of COVID-19 pandemic and the slowdown of PRC’s economic growth, we have re-scheduled the development of Phase II and the construction of Phase II is expected to commence in around 2021.

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 comprises 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 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB90,000,000 in accordance with the payment terms 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 Company (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 purchase additional property at a consideration of approximately RMB65,100,000 (equivalent to approximately HK\$81,400,000). The property comprises 30 units of Jinma Creative Industry Park with a total gross floor area of approximately 5,400 square metres.

As at 30 September 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB60,000,000 in accordance with the payment terms 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 purchase additional property at a consideration of approximately RMB101,600,000 (equivalent to approximately HK\$122,000,000). The property acquired, being a single-storey reinforced concrete building designated for office and storage uses is located at Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 30 September 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB100,000,000 in accordance with the payment terms 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. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the matter of building ownership certificates. The Company has engaged a PRC law firm to negotiate with the vendor to resolve this matter.

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) at a consideration of approximately RMB220,000,000 (subject to adjustments).

As at 30 September 2020, the Group paid the consideration of RMB200,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the execution of the pre-sale agreement between the vendor and the purchaser, an indirect wholly-owned subsidiary of the Company and the building ownership certificate having been obtained by the purchaser. In May 2020, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for an extension of handover of the properties. Due to the outbreak of COVID-19 pandemic, the construction works were temporarily suspended and the progress was delayed. Currently, the vendor has resumed the construction works and the construction is expected to be completed on or before 30 June 2021.

* *For identification purposes only*

Zhejiang Properties

During the Reporting Period, the Group acquired 100% equity interest of Chi Sheng Trading Company Limited which has a wholly-owned subsidiary in Zhejiang, the PRC. The subsidiary holds the land use rights in respect of an industrial land parcel with site area of approximately 31,950 square metres and a two-storey industrial building with a gross floor area of approximately 45,330 square metres together with another land parcel with a total site area of approximately 74,960 square metres located in Zhejiang. The acquisition has been completed on 24 June 2020.

The industrial lands and building are currently leased to tenants for rental income. For the Reporting Period, the Group recorded rental income of approximately HK\$4,701,000 (six months ended 30 September 2019: nil).

PROSPECT

Despite the short-term economic downturn resulting from, inter alia, the Sino-US trade dispute and the COVID-19 pandemic, the Directors are optimistic about the economic development of the PRC in the long run and consider that the demands for water products and properties in the PRC will remain strong and sustainable. The Group will continue to strengthen its competitive strengths in its core businesses, i.e. water business and property development and property investment business, and look for appropriate business and investment opportunities in these areas. The management also remains open for other business opportunities whenever the same arise.

RESPONSE TO OUTBREAK OF COVID-19 PANDEMIC

Since mid-January 2020, COVID-19 pandemic spread across worldwide. Facing the ongoing situation of the COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, the Group has proactively taken steps in ensuring stable operations. The Group is coordinating with various parties from time to time and takes swift actions whenever necessary. It actively discusses with the vendors and customers on the effect of delay in the delivery due to the travel restrictions and movement controls imposed by the PRC government authorities. The Group also implements various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The Group will closely monitor the development of the COVID-19 pandemic and ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly. The Group will make timely disclosure on any significant matters which may arise in the future.

SIGNIFICANT INVESTMENTS

As at 30 September 2020, 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 2020	Percentage of shareholdings as at 30 September 2020	Carrying amount as at 31 March 2020 <i>HK\$'000</i>	Unrealised fair value loss for the six months ended 30 September 2020 <i>HK\$'000</i>	Fair value as at 30 September 2020 <i>HK\$'000</i>	Percentage of total financial assets at fair value through profit or loss as at	Percentage of total assets of the Group as at
							30 September 2020	30 September 2020
640	Infinity Development Holdings Company Limited	1,000,000	0.17%	720	(70)	650	26.17%	0.03%
747	Shenyang Public Utility Holdings Company Limited	13,100,000	2.16%	2,135	(301)	1,834	73.83%	0.08%
				2,855	(371)	2,484	100.00%	0.11%

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>That company is principally engaged in the manufacturing and sales of adhesives, primers, hardeners, vulcanised shoes adhesive related products used by the footwear manufacturers.</p> <p>As disclosed in the interim report of that company for the six months ended 31 March 2020, in view of the current epidemic effect upon the global, it is difficult to predict how long it will last. The market currently adopts a wait-and-see approach to the epidemic effect. As such, it is more difficult for the board of directors of that company to predict its sales performance in 2020. Due to the global demand for footwear still growing continually, more stringent requirement from the manufacturers for the quality of adhesives which would gradually eliminate industry players with less competitiveness, the demand for the use of environmental water-based adhesive products by footwear brands and manufacturers is still growing, the effect of the previous regional deployments of that company has become prominent under the changes in the market. That company has been maintaining good relationships with its prestigious customers for a number of years. As such, that company expects that the growth of its sales in the medium to long term will remain stable. That company will devote necessary resources to further increase its market share if appropriate.</p>

Shenyang Public Utility Holdings
Company Limited

That company's principal businesses are infrastructure construction and property investment and credit business.

As disclosed in the interim report of that company for the six months ended 30 June 2020, affected by the pandemic in 2020, the global economic situation is uncertain, that company will adhere to the development objective of making steady progress, continue to maintain its core competitiveness. That company will actively respond to the state's policy of increasing infrastructure investment and push ahead the development of existing projects. That company will maintain its core business, improve its ability to resist risks, and at the same time promote the operation of existing property projects and open up new profit points. In addition, the board of directors of that company will continue to devote efforts to explore various investment opportunities and enhance its market competitiveness.

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 Reporting Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Reporting Period (six months ended 30 September 2019: 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 2020, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation		Actual use of net proceeds	Actual allocation		Utilisation	Remaining
	of net proceeds	% of net		of net proceeds	% of net	up to 30	balance
	HK\$'	proceeds		HK\$'	% of net	September	September
	million			million	proceeds	2020	2020
						HK\$'	HK\$'
						million	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%	6.6	49.4
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%	47.5	–
	<u>316.5</u>	<u>100.0%</u>		<u>316.5</u>	<u>100.0%</u>	<u>267.1</u>	<u>49.4</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 for the use of acquisition of Shenyang Properties in previous years. Referring to the announcements dated 24 April 2019 and 7 July 2020 and the circular dated 24 August 2020, the acquisition of the Shenyang Property had been terminated and the Group entered into supplemental agreements with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company to recover the outstanding sum in relation to termination of the acquisition of the Shenyang Property before July 2021. The Board will deploy the unutilised net proceeds of approximately HK\$49.4 million back to the capital expenditure on production facilities of Hunan Xintian 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 utilized between November 2020 to late 2021.

CAPITAL STRUCTURE

Total equity attributable to owners of the Company increased from approximately HK\$1,811,528,000 as at 31 March 2020 to approximately HK\$1,890,128,000 as at 30 September 2020. The increase arose from the total comprehensive income attributable to owners of the Company. There were no other material change in the capital structure of the Group during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had total assets of approximately HK\$2,196,690,000 (as at 31 March 2020: approximately HK\$2,115,424,000) which was financed by current liabilities of approximately HK\$172,602,000 (as at 31 March 2020: approximately HK\$190,585,000), non-controlling interests of approximately HK\$102,338,000 (as at 31 March 2020: approximately HK\$102,189,000) and the shareholder's equity of approximately HK\$1,890,128,000 (as at 31 March 2020: approximately HK\$1,811,528,000).

As at 30 September 2020, the Group's current ratio was approximately 5.77 (as at 31 March 2020: approximately 5.61). Current ratio is calculated based on current assets divided by current liabilities.

As at 30 September 2020 and 31 March 2020, the Group had no borrowings and therefore the gearing ratio was not applicable. Gearing ratio is calculated based on total borrowings divided by total equity.

MATERIAL ACQUISITIONS OR DISPOSALS

Acquisition

On 26 May 2020, the Group entered into a sale and purchase agreement to acquire 100% of the issued share capital of, and the shareholder's loan advanced to, Chi Sheng Trading Company Limited at a consideration of RMB100 million. Its wholly-owned subsidiary, Zhejiang Shangshui Jieyun Food Co., Ltd.* (浙江上水捷運食品有限公司), holds, inter alia, the land use rights in respect of an industrial land parcel and a two-storey industrial building together with another land parcel located at Chen Village, Shanghua Street, Lanxi City, Jinhua, Zhejiang Province, the PRC* (中國浙江省金華蘭溪市上華街道沈村), which are currently leased to tenants for rental income. The acquisition has been completed on 24 June 2020. Details of the acquisition are set out in the announcements of the Company dated 26 May 2020 and 24 June 2020.

Save as disclosed above, the Group has no other material acquisition during the Reporting Period.

Disposal

The Group has no material disposal during the Reporting Period.

SUBSEQUENT EVENTS

As at 30 September 2020 to the date of this announcement, the Board is not aware of any significant events that have occurred which require disclosure herein.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group is mainly exposed to fluctuation in the exchanges rate of RMB, arising from relevant group entities' monetary assets and liabilities denominated in foreign currency 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 closely monitors the relevant foreign currency exposure from time to time and will consider hedging significant foreign currency exposures should the need arise.

* For identification purposes only

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 33 employees in Hong Kong and the PRC as at 30 September 2020. The total staff costs (staff salaries, directors' emoluments and other staff costs) for the Reporting Period amounted to approximately HK\$4,556,000 (six months ended 30 September 2019: HK\$7,421,000). Remuneration packages are generally structured according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidies employees in various training and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 24 to the interim financial statements, the Group did not have other capital commitments and contingent liabilities as at 30 September 2020.

FINANCIAL GUARANTEE CONTRACTS

Save as disclosed in note 23 to the interim financial statements, the Group did not have other financial guarantee contracts as at 30 September 2020.

CHARGES ON GROUP ASSETS

The Group did not create any charges over the Group's assets as at 30 September 2020.

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 Reporting Period.

CONNECTED TRANSACTIONS

Termination of the Acquisition of Shenyang Properties

Asiaciti Investment Limited ("Asiaciti"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into sale and purchase agreement on 12 October 2017 (the "Sale and Purchase Agreement") with the vendor, 遼寧京豐置業有限公司, to purchase the properties comprising Floors 7 to 35 of Building T3 situated at 46 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, PRC under the Shenyang Commodity Housing Pre-sale Permit No. 16122 for a total consideration of RMB625,000,000 (subject to adjustment). The vendor was a company incorporated in the PRC with limited liability and beneficially owned by Mr. Li Yuguo ("Mr. Li"), a substantial shareholder, the chairman and an executive Director of the Company.

On 24 April 2019, the vendor and Asiaciti entered into a termination agreement (the “Termination Agreement”), pursuant to which, (i) the parties have mutually agreed to terminate the Sale and Purchase Agreement and no parties shall have any claim against each other; and (ii) on or prior to 24 October 2019, the vendor shall refund a total amount of RMB562,500,000 paid by Asiaciti (the “Refund Amount”) and shall pay a lump sum of RMB11,250,000, being 2% of the Refund Amount, to Asiaciti as monetary compensation.

On 1 November 2019, Asiaciti and Mr. Li entered into a supplemental agreement (the “Supplemental Agreement”), pursuant to which, Mr. Li agreed to take up the responsibilities 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 Supplemental Agreement shall be subject to the fulfilment of the condition precedent on or before 24 January 2020. On 22 January 2020 and 27 February 2020, the said long stop date was extended twice to 29 February 2020 and 15 March 2020 respectively.

On 3 July 2020, Asiaciti and Mr. Li entered into a further supplemental agreement (the “Further Supplemental Agreement”), pursuant to which, Mr. Li agreed to repay Asiaciti the outstanding amount in sum of RMB584,778,676.47 (the “Outstanding Sum”) in the following manner: (a) 10% of the Outstanding Sum shall be repaid on or before 2 January 2021; and (b) 90% of the Outstanding Sum together with the interest to be accrued on the Outstanding Sum at an interest rate of 10% per annum shall be repaid on or before 2 July 2021.

The Supplemental Agreement and the Further Supplemental Agreement constituted a connected transaction under Chapter 14A of the Listing Rules. The Supplemental Agreement and the Further Supplemental Agreement were approved by the independent shareholders at the special general meetings of the Company held on 3 March 2020 and 15 September 2020 respectively.

Details of the above transactions were disclosed in the announcements of the Company dated 12 October 2017, 24 April 2019, 1 November 2019, 22 January 2020, 27 February 2020, 29 April 2020, 8 May 2020 and 7 July 2020 and the circulars of the Company dated 22 January 2018, 6 February 2020 and 24 August 2020 respectively.

Up to 30 September 2020, the Group has received from Mr. Li the accrued interest of RMB15,076,270.14 in accordance with the Supplemental Agreement and partial repayment of the Outstanding Sum of RMB82 million in accordance with the Further Supplemental Agreement.

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 Reporting Period, the Company complied with all applicable provisions of the Code except for the deviations as stated below:

1. 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 expired on 20 May 2018. As the Company has not yet reached an agreement with an insurer regarding the terms and insurance premium of new insurance policy, the 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 liaised with various insurance companies and brokers and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.
2. 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, two non-executive Directors and three independent non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 25 August 2020 and the special general meeting of the Company held on 15 September 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company currently consists of three independent non-executive Directors, namely Mr. Zhu Xueyi, Mr. Ba Junyu and Mr. Wong Chung Man. Its primary duties are to review and supervise the financial reporting system, risk management and internal control system of the Group and its effectiveness, and review and monitor the integrity of financial statements of the Company and the Company's annual report and interim report.

The audit committee of the Company has reviewed with the management the accounting standards and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

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

Hong Kong, 24 November 2020

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.