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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board (the “Board”) of directors (the “Directors”) of Asia Resources Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 March 2021 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	32,920	201,510
Cost of sales		(16,471)	(288,754)
Gross profit/(loss)		16,449	(87,244)
Other gains	5	107,508	27,950
Other losses	6	(41)	(60,825)
Selling and distribution expenses		(2,641)	(9,653)
Administrative expenses		(26,277)	(35,267)
Share of results of associates		(10,195)	(9,572)
Provision for impairment loss on intangible assets	12	–	(46,932)
Reversal of/(provision for) impairment loss on deposits paid		4,313	(92,873)
Provision for impairment loss on properties under development		–	(28,033)
Reversal of/(provision for) impairment loss on completed properties held for sale		856	(25,348)
Gain from changes in fair value of investment properties		2,282	–
Provision for impairment loss on inventories		–	(967)
Gain on bargain purchase	21	1,856	–
Over-provision of land value added tax		–	9,298
Finance costs		(1,261)	(358)

* *For identification purpose only*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) before taxation	7	92,849	(359,824)
Taxation	8	(2,155)	4,904
Profit/(loss) for the year		<u>90,694</u>	<u>(354,920)</u>
Other comprehensive income, net of tax			
Share of other comprehensive income of associates		(55)	131
Exchange differences on translating foreign operations		72,288	(63,792)
Other comprehensive income for the year, net of tax		<u>72,233</u>	<u>(63,661)</u>
Total comprehensive income for the year		<u>162,927</u>	<u>(418,581)</u>
Profit/(loss) attributable to:			
Owners of the Company	9	91,264	(338,784)
Non-controlling interest		(570)	(16,136)
		<u>90,694</u>	<u>(354,920)</u>
Total comprehensive income attributable to:			
Owners of the Company		163,050	(402,080)
Non-controlling interest		(123)	(16,501)
		<u>162,927</u>	<u>(418,581)</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	9	<u>0.012</u>	<u>(0.045)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	132,516	–
Property, plant and equipment		33,237	17,890
Right-of-use assets		1,060	2,910
Intangible assets	<i>12</i>	337,681	336,766
Interests in associates	<i>13</i>	190,826	201,076
Deposits paid	<i>18</i>	532,397	487,084
		<u>1,227,717</u>	<u>1,045,726</u>
Current assets			
Properties under development	<i>14</i>	236,636	218,330
Completed properties held for sale	<i>15</i>	89,053	99,265
Inventories	<i>16</i>	–	299
Trade receivables	<i>17</i>	2,851	234
Prepayments, deposits and other receivables	<i>18</i>	691,853	697,500
Amount due from an associate	<i>13</i>	2,866	2,420
Financial assets at fair value through profit or loss		2,866	2,855
Income tax prepaid		–	248
Restricted bank deposits		2,702	2,484
Bank balances and cash		19,034	46,063
		<u>1,047,861</u>	<u>1,069,698</u>
Current liabilities			
Trade payables	<i>19</i>	60,597	72,995
Other payables and accruals	<i>20</i>	60,827	61,833
Contract liabilities		41,184	52,966
Lease liabilities		713	2,356
Tax payable		1,893	435
		<u>165,214</u>	<u>190,585</u>
Net current assets		<u>882,647</u>	<u>879,113</u>
Total assets less current liabilities		<u>2,110,364</u>	<u>1,924,839</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital and reserves		
Share capital	76,117	76,117
Reserves	<u>1,898,461</u>	<u>1,735,411</u>
Total equity attributable to owners of the Company	1,974,578	1,811,528
Non-controlling interest	<u>102,066</u>	<u>102,189</u>
	<u>2,076,644</u>	<u>1,913,717</u>
Non-current liabilities		
Deferred tax liabilities	33,493	10,577
Lease liabilities	<u>227</u>	<u>545</u>
	<u>33,720</u>	<u>11,122</u>
	<u>2,110,364</u>	<u>1,924,839</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated. The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. APPLICATION OF THE NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by the Group

The following new and amended standards that may be relevant to the Group’s operations have been adopted by the Group for the first time for the financial period beginning on 1 April 2020.

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material

The application of the above amended standards which are effective for the financial period beginning on 1 April 2020 did not have material financial effect to the Group for the current and prior periods.

(b) Issued but not yet effective HKFRSs

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial year ended 31 March 2021:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions ¹
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 ²
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021 ³
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use ⁴
HKFRS 3 (Amendments)	Reference to Conceptual Framework ⁴
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ⁴
HKFRSs (Amendments)	Annual Improvements to HKFRS Standards 2018–2020 ⁴
HKFRS 17	Insurance Contracts and related amendments ⁵
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁵
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁵
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

3. 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 year. 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".

Segment revenue and results

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

For the year ended 31 March

	Water business		Property development and investment		Consolidation	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Sales to external customers	<u>1</u>	<u>268</u>	<u>32,919</u>	<u>201,242</u>	<u>32,920</u>	<u>201,510</u>
Total revenue	<u>1</u>	<u>268</u>	<u>32,919</u>	<u>201,242</u>	<u>32,920</u>	<u>201,510</u>
Segment results	(5,275)	(57,739)	124,476	(272,534)	119,201	(330,273)
Fair value gain/(loss) on financial assets at fair value through profit or loss					11	(1,685)
Central administration costs					(16,763)	(17,936)
Gain on bargain purchase					1,856	–
Share of results of associates					(10,195)	(9,572)
Finance costs					<u>(1,261)</u>	<u>(358)</u>
Profit/(loss) before taxation					<u>92,849</u>	<u>(359,824)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

Segment assets and liabilities

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

	Water business		Property development and investment		Consolidation	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS						
Segment assets	371,549	371,019	1,588,394	1,496,306	1,959,943	1,867,325
Unallocated corporate assets					<u>315,635</u>	<u>248,099</u>
					<u>2,275,578</u>	<u>2,115,424</u>
LIABILITIES						
Segment liabilities	(3,268)	(5,120)	(170,286)	(159,077)	(173,554)	(164,197)
Unallocated corporate liabilities					<u>(25,380)</u>	<u>(37,510)</u>
					<u>(198,934)</u>	<u>(201,707)</u>

For the purposes of assessing segment performance and allocating resources between segments, the Directors of the Company monitor the results, assets and liabilities attributable to each reportable segment on the following basis:

All assets are allocated to reportable segments other than unallocated corporate assets (mainly include property, plant and equipment, bank balances and cash that are held by the investment holding companies and other receivables that are receivable by the investment holding companies).

All liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly include lease liabilities and other payables and accruals borne by the investment holding companies).

Other segment information

	Water business		Property development and investment		Unallocated		Consolidation	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to property, plant and equipment	-	12,444	16,444	40	-	62	16,444	12,546
Depreciation	(39)	(25)	(2,291)	(881)	(3,039)	(3,357)	(5,369)	(4,263)
Other gains	16	137	108,452	26,970	(960)	843	107,508	27,950
Other losses	-	344	(41)	(61,266)	-	97	(41)	(60,825)
Provision for impairment loss on intangible assets	-	(46,932)	-	-	-	-	-	(46,932)
Reversal of/(provision for) impairment loss on deposits paid	-	-	4,313	(92,873)	-	-	4,313	(92,873)
Provision for impairment loss on properties under development	-	-	-	(28,033)	-	-	-	(28,033)
Reversal of/(provision for) impairment loss on completed properties held for sale	-	-	856	(25,348)	-	-	856	(25,348)
Provision for impairment loss on inventories	-	(967)	-	-	-	-	-	(967)
Over-provision of land value added tax	-	-	-	9,298	-	-	-	9,298
Gain from changes in fair value of investment properties	-	-	2,282	-	-	-	2,282	-

Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	32,920	201,510	1,226,937	1,042,776
Hong Kong	-	-	780	2,950
	<u>32,920</u>	<u>201,510</u>	<u>1,227,717</u>	<u>1,045,726</u>

Information about major customers

Other than two tenants from whom the lease income represents 24% and 10% of the total revenue of the Group respectively, there is no other single customer who contributes over 10% of the total revenue of the Group.

No customer contributed over 10% of total revenue of the Group for the year ended 31 March 2020.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue from contracts with customers	<i>(a)</i>		
Sales of properties		19,399	201,242
Sales of bottled water		1	268
		<hr/>	<hr/>
		19,400	201,510
Revenue from leases	<i>(b)</i>	13,520	–
		<hr/>	<hr/>
Total revenue		32,920	201,510
		<hr/>	<hr/>

Notes:

(a) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied upon handover of the properties. There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021.

Sales of bottled water

The performance obligation is satisfied upon delivery of goods. All of the Group's revenue from sale of goods was recognised at the point in time when control of the products was transferred to customers.

(b) Leases

	2021 HK\$'000	2020 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed	13,520	–
	<hr/>	<hr/>

5. OTHER GAINS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on bank deposits	113	342
Interest income on associate	234	–
Exchange gain, net	48,058	–
Government grant	23	–
Dividend income from financial assets at fair value through profit or loss	52	52
Sundry	71	608
Compensation relating to termination of acquisition of Shenyang Properties	–	12,610
Interest income relating to termination of acquisition of Shenyang Properties	58,957	14,338
	<u>107,508</u>	<u>27,950</u>

6. OTHER LOSSES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Compensation relating to delay of handover of properties	(41)	(8,153)
Exchange loss, net	–	(52,672)
	<u>(41)</u>	<u>(60,825)</u>

7. PROFIT/(LOSS) BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The Group's profit/(loss) before taxation is arrived at after charging/(crediting):		
Directors' emoluments	3,184	3,377
Other staff costs	6,002	10,197
Other staff's retirement benefits scheme contributions	296	1,218
	<u>9,482</u>	<u>14,792</u>
Auditors' remuneration		
– audit services	960	960
– non-audit services	243	304
	<u>1,203</u>	<u>1,264</u>
Depreciation of property, plant and equipment	2,790	1,512
Depreciation of right-of-use assets	2,579	2,751
Amortisation of land use right	207	203
Lease payment not included in the measurement of lease liabilities	357	228
Fair value (gain)/loss on financial assets at fair value through profit or loss	(11)	1,685

8. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	1,606	–
	<u>1,606</u>	<u>–</u>
Total current tax expenses	1,606	–
Over-provision in prior years:		
– Hong Kong Profits Tax	(21)	–
Deferred income tax:		
– Increase/(decrease) in deferred tax liabilities	570	(4,904)
	<u>2,155</u>	<u>(4,904)</u>
Income tax expenses/(credit) for the year	<u>2,155</u>	<u>(4,904)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 March 2021.

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% (2020: 25%) for the year ended 31 March 2021.

Deferred tax assets have not been recognised in respect of tax losses amounting to approximately RMB41,287,000 as at 31 March 2021 (2020: RMB41,591,000), that will expire within 5 years for offsetting against future taxable profits. The tax losses of approximately HK\$119,056,000 as at 31 March 2021 (2020: HK\$107,498,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

The income tax expenses/(credit) for the year can be reconciled to the profit/(loss) before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) before taxation	<u>92,849</u>	<u>(359,824)</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	15,320	(59,371)
Tax effect of share of result of associates	1,682	1,579
Tax effect of expenses not deductible for tax purposes	937	24,142
Tax effect of income not taxable for tax purposes	(18,118)	(6,802)
Tax effect of tax losses not recognised	3,373	34,788
Unrecognised deferred tax arising from temporary difference	(1,907)	23,840
Utilisation of tax losses previously not recognised	(61)	(125)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	950	(22,955)
Over-provision in prior years	<u>(21)</u>	<u>–</u>
Income tax expenses/(credit) for the year	<u>2,155</u>	<u>(4,904)</u>

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) for the year attributable to the owners of the Company	<u>91,264</u>	<u>(338,784)</u>
	2021 <i>'000 Shares</i>	2020 <i>'000 Shares</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (<i>Note</i>)	<u>7,611,690</u>	<u>7,611,690</u>

Note:

The basic and diluted profit/(loss) per share are the same for the years ended 31 March 2021 and 2020, as there are no dilutive potential ordinary shares in existence.

10. DIVIDENDS

The Directors did not recommend the payment of any dividend for the year ended 31 March 2021 (2020: Nil).

11. INVESTMENT PROPERTIES

	2021 <i>HK\$'000</i>
Acquisition of a subsidiary (<i>Note 21</i>)	120,830
Fair value changes	2,282
Exchange realignment	<u>9,404</u>
At the end of the year	<u>132,516</u>

Amounts recognised in profit or loss for investment properties

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental income from operating leases	8,132	–
Direct operating expenses on investment properties that generated rental income	691	–
Unrealised profit on property revaluation included in gain from changes in fair value of investment properties	<u>2,282</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 21.

Contractual obligation

As at 31 March 2021, there is no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Leasing arrangements

The investment properties are leased to tenants under operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	8,951	–
In the second to fifth years inclusive	18,848	–
Over five years	<u>–</u>	<u>–</u>
	<u>27,799</u>	<u>–</u>

Valuation processes of the Group

The fair value of the Group's investment properties as at 31 March 2021 has been arrived at on the basis of a valuation carried out by the independent qualified professional valuer, AP Appraisal Limited.

Discussions of valuation processes and results are held between the management, audit committee and the independent valuer annually, in line with the Group's annual reporting date.

The management:

- verifies major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior valuation report; and
- holds discussions with the independent valuer.

Valuation methodology

The Group completed its annual valuation on investment properties. The fair values of investment properties are generally arrived by adopting the direct market comparison method by making reference to a combination of comparable market transactions and asking prices of comparable property.

Details of valuation methodology are as follows:

Non-financial assets	Valuation methodology	Key unobservable inputs to the valuation	Relationship of unobservable inputs to fair value
Leasehold land and factory	Direct comparison approach and made reference to comparable sales transactions as available in the market	PRC comparable ranging from RMB2,000 to RMB3,000 per square metre	A significant increase in the adjustment factors used would result in a significant increase in fair value, and vice versa
Leasehold land	Direct comparison approach and made reference to comparable sales transactions as available in the market	PRC comparable ranging from RMB201 to RMB1,400 per square metre	A significant increase in the adjustment factors used would result in a significant increase in fair value, and vice versa

As at 31 March 2021, the fair value measurement of the Group's investment properties is categorised at level 3. During the year ended 31 March 2021, there were no transfers into or out of level 3.

12. INTANGIBLE ASSETS

	Land use right <i>(Note i)</i> <i>HK\$'000</i>	Water mining licence <i>(Note ii)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
As at 1 April 2019	10,613	374,412	385,025
Exchange realignment	(709)	(280)	(989)
As at 31 March 2020 and 1 April 2020	9,904	374,132	384,036
Exchange realignment	830	328	1,158
As at 31 March 2021	10,734	374,460	385,194
Accumulated amortisation and impairment:			
As at 1 April 2019	150	–	150
Amortisation for the year	203	–	203
Impairment loss for the year	–	46,932	46,932
Exchange realignment	(15)	–	(15)
As at 31 March 2020 and 1 April 2020	338	46,932	47,270
Amortisation for the year	207	–	207
Exchange realignment	36	–	36
As at 31 March 2021	581	46,932	47,513
Carrying amount:			
As at 31 March 2021	10,153	327,528	337,681
As at 31 March 2020	9,566	327,200	336,766

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.

Land use right is amortised on a straight-line basis over its lease term of 50 years.

- (ii) Water mining licence represents the right to conduct water exploitation activities in Hunan. The subsidiary, 湖南新田富鐸礦泉水有限公司 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 which was estimated with reference to the validity of the operation licence held and the productions plans of the Group. No amortisation was provided for the year ended 31 March 2021 as commercial production has not yet commenced during the year.

The Group is required to assess any indication of impairment on the water mining licence at the end of each reporting period. The Group has completed its annual impairment test for the water mining licence. The recoverable amount of the water mining licence was determined based on multi period excess earnings method which uses sum of discounted present value of the projected annual excess earnings. As at 31 March 2021 and 2020, the recoverable amount of the water mining licence was referenced to a valuation report issued by AP Appraisal Limited, an independent qualified valuer. This valuation uses cash flow projections based on financial estimates covering a twenty-year period.

The key assumptions and discount rate used in the annual excess earnings calculation are as follows:

	2021	2020
Net profit margin (% of revenue)	19.61%–33.63%	24.34%–30.15%
Long term annual growth rate used to extrapolate cash flow	2.50%	3.00%
Pre-tax discount rate	<u>13.50%</u>	<u>13.00%</u>

The net profit margin is based on management's expectation and experience in bottled water market, adjusted for expected efficiency improvements and expected increase in production.

The long term growth rate is the growth rate used to extrapolate the cash flows beyond the ten-year period which are based on the estimated growth rate taking into account the industry growth rate and the medium or long term growth target of the Group.

The discount rate is before tax and reflects specific risks.

The value assigned to the above assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. The management believes that the assumptions are reasonable and achievable. In the opinion of the Directors of the Company, the carrying amount of the water mining licence did not exceed its recoverable amount and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the water mining license exceed its carrying amount.

13. INTERESTS IN ASSOCIATES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	201,076	210,517
Share of post-acquisition losses and other comprehensive income during the year, net of dividends received	<u>(10,250)</u>	<u>(9,441)</u>
At the end of the year	<u>190,826</u>	<u>201,076</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amount due from an associate (<i>Notes i and ii</i>)	<u>2,866</u>	<u>2,420</u>

Notes:

- (i) As at 31 March 2021 and 2020, amount due from an associate is unsecured, interest-bearing at 10% per annum and repayable within one year.
- (ii) The maximum outstanding balance during the year was approximately HK\$6,529,000.
- (iii) 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 Beverages Company Limited* (“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. The remaining 80% equity interests is held by Mr. Li Yuguo, the substantial shareholder of the Group.

The Group completed its annual impairment test for interests in associates by comparing the recoverable amount to the carrying amount as at 31 March 2021 and 2020. The Group engaged AP Appraisal Limited, an independent qualified valuer, to carry out a valuation of the interests in associates as at 31 March 2021 and 2020 based on the value-in-use calculations. This valuation uses cash flow projections based on financial estimates covering a ten-year period.

The key assumptions and discount rate used in the value-in-use calculations are as follows:

	2021	2020
Gross margin (% of revenue)	38.42%–53.01%	29.85%–34.79%
Long term annual growth rate used to extrapolate cash flows	2.50%	3.00%
Pre-tax discount rate	<u>12.00%</u>	<u>12.00%</u>

Gross margin is the average margin as a percentage of revenue over the ten-year forecast period. It is based on the current sales margin levels with adjustments for expected efficiency improvements and expected increase in production.

* For identification purpose only

The long term growth rate is the growth rate used to extrapolate the cash flows beyond the ten-year period are based on the estimated growth rate taking into account the industry growth rate, past experience and the medium or long term growth target of the associates.

The discount rate is before tax and reflects specific risks.

The value assigned to the above assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. The management believes that the assumptions are reasonable and achievable. In the opinion of the Directors of the Company, the carrying amount of the interests in associates did not exceed the recoverable amount and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the interests in associates exceed the recoverable amount.

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
				2021	2020	
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

* For identification purpose only

Summarised financial information in respect of the Group's associates for the year ended 31 March 2021 and 2020 was set out below which represents amounts shown in the respective financial statements of the associates prepared in accordance with HKFRSs. The associates are accounted for using the equity method in the consolidated financial statements.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current asset	<u>32,980</u>	<u>21,125</u>
Non-current asset	<u>108,423</u>	<u>106,871</u>
Current liabilities	<u>189,734</u>	<u>177,632</u>
Revenue	<u>25,169</u>	<u>25,945</u>
Loss for the year	(50,975)	(47,862)
Other comprehensive income	<u>(274)</u>	<u>658</u>
Total comprehensive income	<u>(51,249)</u>	<u>(47,204)</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net liabilities of the associates as at acquisition date	(33,841)	(33,841)
Proportion of the Group's ownership interests in 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	<u>(44,066)</u>	<u>(33,816)</u>
Carrying amount of the Group's interests in associates	<u>190,826</u>	<u>201,076</u>

There is no commitment and contingent liabilities under the associates.

14. PROPERTIES UNDER DEVELOPMENT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties under development	333,493	307,694
Less: provision for impairment	<u>(96,857)</u>	<u>(89,364)</u>
	<u>236,636</u>	<u>218,330</u>

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

As at 31 March 2021, the carrying amount of properties under development included land use rights of approximately HK\$122,616,000 (2020: HK\$113,130,000).

For the year ended 31 March 2021, there was no impairment provision on properties under development.

For the year ended 31 March 2020, provision for impairment of approximately HK\$28,033,000 was recognised to reflect the decrease of net realisable value of properties under development.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>236,636</u>	<u>218,330</u>

15. COMPLETED PROPERTIES HELD FOR SALE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Completed properties held for sale	144,717	162,005
Less: Provision for impairment	<u>(55,664)</u>	<u>(62,740)</u>
	<u>89,053</u>	<u>99,265</u>

The completed properties held for sale were located in Beibu District, Jinshitan, Jinzhou New District, Dalian 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 also classified under current assets as it is expected to be realised in the Group's normal operating cycle.

For the year ended 31 March 2021, reversal of impairment loss of approximately HK\$856,000 was recognised.

For the year ended 31 March 2020, provision for impairment of approximately HK\$25,348,000 was recognised to reflect the decrease in net realisable value of the completed properties.

16. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Merchandise	–	1,241
Less: Provision for impairment	–	(942)
	<u>–</u>	<u>299</u>

17. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>2,851</u>	<u>234</u>

Based on the payment terms of tenancy agreements, the aging analysis of the Group's trade receivables as of each reporting date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 180 days	<u>2,851</u>	<u>234</u>

The Group's trade receivables are denominated in RMB, mainly represent rental receivable from tenants for the use of PRC investment properties and machinery. Rentals are payable in accordance with tenancy agreements. No credit period is allowed.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables. The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	–	234
Less than 90 days past due	1,189	–
Past due more than 90 days	<u>1,662</u>	<u>–</u>
	<u>2,851</u>	<u>234</u>

Over 58% of the trade receivables are subsequently received or covered by rental deposit received. In addition, the trade debtor has committed to settle the remaining balances on or before 31 August 2021. Therefore, no impairment loss has been provided. The Group does not hold any collateral over these balances.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets:		
Deposits for acquisition of investment properties, net (<i>Note i</i>)	<u>532,397</u>	<u>487,084</u>
Current assets:		
Deposits paid, net (<i>Note ii</i>)	566,942	614,689
Prepayments (<i>Note iii</i>)	1,730	1,560
Amount due from the substantial shareholder (<i>Note v</i>)	71,888	26,583
Other receivables (<i>Note iv</i>)	<u>51,293</u>	<u>54,668</u>
	<u>691,853</u>	<u>697,500</u>

The creation and release of impairment provision on deposits paid have been included in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

Other receivables are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	51,139	54,564
HK\$	<u>154</u>	<u>104</u>
	<u>51,293</u>	<u>54,668</u>

Notes:

(i) Properties in Yantian

As at 31 March 2021, deposits paid of approximately HK\$295,795,000 (2020: 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 supplementary 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 ownership certificate matter. The Company has engaged a PRC law firm to negotiate with the vendor to resolve this matter. In April 2021, the Company received another letter from the vendor requesting for further extension of deadline to 31 December 2021 for handling the ownership certificate matter. The management will continue to follow up and take appropriate actions.

Properties in Beijing

As at 31 March 2021, deposit paid of approximately HK\$215,339,000, net of provision for impairment of approximately HK\$21,297,000 (2020: HK\$199,772,000, net of provision for impairment of approximately HK\$18,558,000) was related to the acquisition of properties in Beijing. Details are set out in the announcement of the Company dated 28 February 2017. Due to the outbreak of COVID-19 pandemic, the construction works were temporarily suspended and the progress was delayed. In April 2021, the Company received the second letter from the vendor explaining the reasons of delay in construction works and requesting for an extension of handover of the properties. Currently, the vendor has resumed the construction works and the construction is expected to be completed on or before 30 June 2022. The management will continue to follow up and take appropriate actions.

Naming right and advertisement board of properties in Yantian

As at 31 March 2021, deposit paid of approximately HK\$21,263,000 (2020: HK\$19,618,000) was related to the naming right and the advertisement board of the properties located in Yantian.

- (ii) As at 31 March 2021, deposits paid were mainly relating to (1) acquisition of properties in Zengcheng of HK\$nil, net of provision for impairment approximately HK\$73,357,000 (2020: HK\$nil, net of provision for impairment approximately HK\$67,682,000) and (2) acquisition of properties in Shenyang (“Shenyang Properties”) of approximately HK\$566,306,000 (2020: HK\$614,053,000).

Properties in Zengcheng

The acquisition of properties in Zengcheng was terminated on 18 January 2017 and over 77% of the paid consideration has been refunded in previous years. 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. Up to the date of this announcement, the Group is still negotiating the repayment terms with the vendor but no agreement has been reached. Based on the Group’s historical credit loss experience, the Group recognised a loss allowance for expected credit loss on the deposits paid.

Shenyang Properties

Details of the acquisition of Shenyang Properties are set out in the announcement of the Company dated 12 October 2017 and the circular of the Company dated 22 January 2018. 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 (the “Refund Amount”) paid by the Group, 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 further 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 Yuguo 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 announcement 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 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.

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. Detail are set out in the announcement and the circular of the Company dated 7 July 2020 and 24 August 2020 respectively.

Up to the date of this announcement, the Group has received from Mr. Li, the Outstanding Sum of approximately RMB83,870,000 in accordance with the further supplemental agreement.

- (iii) As at 31 March 2021 and 2020, prepayments mainly comprised prepayment of indirect cost incurred for properties under development.
- (iv) As at 31 March 2021 and 2020, other receivables mainly comprised other tax prepaid in the PRC and advance payments for business related matters.
- (v) As at 31 March 2021 and 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). The amount is denominated in RMB.

19. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>60,597</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 180 days	7,832	8,337
181 to 365 days	37	28,543
Over 365 days	<u>52,728</u>	<u>36,115</u>
	<u>60,597</u>	<u>72,995</u>

The trade payables are not interest bearing, normally settled within six months after receiving suppliers' invoices and denominated in RMB.

20. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Land value added tax payable	20,222	18,576
Accruals	2,585	2,655
Receipt in advance	392	–
Other payables	24,955	30,690
Amount due to non-controlling interests	9,912	9,912
Amount due to a shareholder (<i>Note i</i>)	<u>2,761</u>	<u>–</u>
	<u>60,827</u>	<u>61,833</u>

Note:

- (i) Amount due to a shareholder is unsecured, interest-free and repayable on demand.

21. ACQUISITION OF SUBSIDIARIES

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

For the year ended 31 March 2021, the Group acquired 100% of the issued share capital of, and the shareholder’s loan advance to, Chi Sheng at a consideration of RMB100 million (equivalent to approximately HK\$109,845,000). 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 value <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)
	<hr/>	<hr/>	<hr/>
Identifiable net assets	51,996	59,705	111,701
Gain on bargain purchase			<hr/> (1,856)
			<hr/>
Total consideration			<hr/> 109,845 <hr/>
			<i>HK\$’000</i>
Net cash outflow from the acquisition			
Cash consideration paid			109,845
Bank balances and cash acquired			<hr/> (3,064)
			<hr/> 106,781 <hr/>

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\$10,502,000 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\$35,265,000, and the Group's profit for the period would have been approximately HK\$92,369,000. The pro forma 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.

22. FINANCIAL GUARANTEE LIABILITIES

As at 31 March 2021, 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 (2020: 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.
- (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.
- (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 has been repaid by 大連澤琦 on 30 December 2017.

Another independent guarantor, 大連順浩置業有限公司 (“大連順浩”) has pledged its properties to secure the bank loans stated in (1), (2) and (3). The estimated value of the pledged properties is over RMB250 million. The Directors believes that the aforesaid loans, interests and other costs can fully be recovered from the sales proceeds of the pledged properties. In addition, 大連創和 obtained counter-guarantees given by 創達地產(大連)有限公司 (“創達地產”). 創達地產 undertook to compensate 大連創和 any legal costs 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.

The Directors are closely monitoring the situations and will continue to use their best endeavor to resolve the corporate guarantees 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 announcement, 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 of the Company, 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.

23. 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) Transactions with related parties

- (i) As disclosed in note 18(ii), compensation and interest income relating to termination of acquisition of Shenyang Properties for the years ended 31 March 2021 and 2020, which were receivable from Mr. Li Yuguo who is a substantial shareholder, the chairman and an executive Director of the Company, are recognised as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Compensation relating to termination of acquisition of Shenyang Properties	–	12,610
Interest income relating to termination of acquisition of Shenyang Properties	<u>58,957</u>	<u>14,338</u>
	<u>58,957</u>	<u>26,948</u>

- (ii) During the year ended 31 March 2021, the Group paid advertising expenses to a related company, amounting to approximately HK\$1,341,000. The related company is controlled by the Directors of the Group, Mr. Li Yuguo and Mr. Liu Yan Chee James.
- (iii) 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. During the year ended 31 March 2020, the total consideration paid by the Group was RMB1,418,340. Details of which are set out in the announcement of the Company dated 4 April 2019. 80% equity interests in the associate is held by Mr. Li Yuguo, who is a substantial shareholder, the chairman and an executive Director of the Company.

(B) Remuneration of key management personnel

The remuneration of key management personnel during the year was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short-term benefits	3,134	3,286
Retirement benefit scheme	50	91
	<hr/> 3,184	<hr/> 3,377

24. CAPITAL COMMITMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for:		
Acquisition of investment properties	45,879	42,330
Property development expenditure	107,893	99,935
Construction in-progress for water exploitation activities in Hunan	800	772
	<hr/> 154,572	<hr/> 143,037

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2021 (the “Year”), the revenue of the Group was approximately HK\$32,920,000 (2020: HK\$201,510,000). The decrease in revenue was mainly due to (i) over 72% of total saleable area of the completed properties 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 the remaining saleable area was significantly reduced during the Year; and (ii) the sales and handover of the remaining completed properties held for sale were slowed down during the Year due to the outbreak of COVID-19 pandemic.

Cost of Sales

For the Year, cost of sales of the Group was approximately HK\$16,471,000 (2020: HK\$288,754,000). The decrease was in line with the decrease in revenue.

Gross Profit/Loss

For the Year, the Group recorded a gross profit of approximately HK\$16,449,000. The gross profit was mainly attributable to the rental income earned after the acquisition of the entire issued share capital of Chi Sheng Trading Company Limited (details of which were disclosed in the announcement of the Company dated 26 May 2020), which has a wholly-owned subsidiary in Zhejiang, the PRC. Rental income was earned from the leasing of certain land use rights, a two-storey industrial building and machinery currently owned by the subsidiary in Zhejiang.

For the year ended 31 March 2020, the Group recorded a gross loss of approximately HK\$87,244,000. The gross loss was mainly attributable to the loss on sales of properties in Dalian due to higher development costs arising from the delay in the property development, and downturn of the property market in Dalian which resulting in a drop in selling prices.

Other Gains

For the Year, the Group recorded other gains of approximately HK\$107,508,000 (2020: HK\$27,950,000). The increase was mainly due to the 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 dated 24 August 2020) and the currency exchange gains on monetary assets and liabilities denominated in Renminbi resulting from the appreciation of Renminbi.

Other Losses

For the Year, the Group recorded other losses of approximately HK\$41,000 (2020: HK\$60,825,000). For the year ended 31 March 2020, other losses were mainly due to the currency exchange losses on monetary assets and liabilities denominated in Renminbi resulting from the depreciation of Renminbi.

Selling and Distribution Expenses

For the Year, selling and distribution expenses primarily consisted of agency fee and promotion fee, which were approximately HK\$2,641,000 (2020: HK\$9,653,000). The decrease was mainly attributable to the slowdown of sales of properties in Dalian due to the outbreak of COVID-19 pandemic.

Administrative Expenses

Administrative expenses primarily consisted of directors’ emoluments, other staff costs and benefits, depreciation, legal and professional fees and other general office expenses, which were approximately HK\$25,965,000 for the Year (2020: HK\$35,267,000). The decrease was mainly due to the drop in staff costs as a result of decrease in the number of staff.

Share of Results of Associates

For the Year, the share of losses of associates was approximately HK\$10,195,000 (2020: HK\$9,572,000). The increase in losses was due to the drop of profit of the associate in Guangxi for the Year.

Profit/Loss attributable to Owners of the Company

For the Year, the Group recorded a profit attributable to owners of the Company, which amounted to approximately HK\$91,264,000 (2020: loss of approximately HK\$338,784,000). The change from loss for the year ended 31 March in 2020 to profit for the Year was mainly attributable to:

- (i) the change from gross loss to gross profit on sales of properties located in Dalian;
- (ii) the interest income receivable by the Group relating to the termination of acquisition of the Shenyang Properties;
- (iii) the currency exchange gains on the monetary assets and liabilities denominated in Renminbi resulting from the appreciation of Renminbi in the Year, in contrast with the currency exchange losses on the corresponding monetary assets and liabilities resulting from the depreciation of Renminbi in the previous year;
- (iv) the absence of significant impairment losses on assets and the reversal of impairment loss on deposits paid resulting from the increase in fair value of Yantian Properties in the Year, in contrast with the significant impairment losses on certain assets due to the decrease in their fair values in the previous year; and
- (v) the gain from change in fair value of investment properties in Zhejiang.

BUSINESS REVIEW

At the beginning of 2020, the outbreak of COVID-19 pandemic had brought unprecedented challenges on the business of the Group. The lockdown order and travel restriction had significantly affected the Group's operation. As a result, it slowed down the development and growth of our businesses.

Water Business

The Group recorded a loss from water business segment of approximately HK\$5,275,000 for the Year (2020: HK\$57,739,000). For the year ended 31 March 2020, the loss from water business was mainly attributable to an impairment loss on intangible assets of approximately HK\$46,932,000. For the Year, there was no impairment provision on the intangible assets. In addition, the decrease in advertising expenses and staff costs reduced the loss from water business for the Year.

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 Beverages Company Limited* (“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 Year, the Group shared losses of associates of approximately HK\$10,195,000 (2020: HK\$9,572,000), which were mainly caused by the depreciation of property, plant and equipment and amortization of water procurement permit.

Water Mining

The Group holds 67% equity interests in Good Union (China) Limited which has a wholly-owned subsidiary in Hunan, which 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 has been suspended and delayed. The construction works were resumed in the first half of 2021 and is expected to be completed in mid-2022. The production is expected to commence in the second half of 2022.

The Group reviewed the fair value of the water mining licence as at 31 March 2021 with reference to a valuation report issued by an independent qualified valuer and there was no impairment provision on the water mining licence for the Year (2020: Provision for impairment loss was approximately HK\$46,932,000). Details of the valuation method and key assumptions and the impairment assessment are set out in note 12 to the consolidated financial statements.

Under 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 the Hunan project for each of the calendar year from 2019 to 2028. For details, please refer to the announcement of the Company dated 23 May 2017. However, the production volume guarantees for the each of the years 2019 and 2020 were not satisfied due to the delay in construction works and the outbreak of COVID-19 pandemic. The Group has engaged a law firm to issue demand letters to the vendor for compensation and to negotiate with the vendor.

* *For identification purpose only*

Property Development and Property Investment Business

The Group recorded a profit from property development and investment segment of approximately HK\$124,476,000 for the Year (2020: loss of approximately HK\$272,534,000). The change from loss to profit was attributable to:

- (i) the change from gross loss to gross profit on sales of properties located in Dalian;
- (ii) the interest income receivable by the Group relating to the termination of acquisition of the Shenyang Properties;
- (iii) the currency exchange gains on the monetary assets and liabilities denominated in Renminbi resulting from the appreciation of Renminbi in the Year, in contrast with the currency exchange losses on the corresponding monetary assets and liabilities resulting from the depreciation of Renminbi in the previous year;
- (iv) the absence of significant impairment losses on assets and the reversal of impairment loss on deposits paid resulting from the increase in fair value of Yantian Properties in the Year, in contrast with the significant impairment losses on certain assets due to the decrease in their fair values in the previous year; and
- (v) the gain from change in fair value of investment properties in Zhejiang.

Property Development

Dalian Properties

The indirect wholly-owned subsidiary in Dalian, 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 and plans to develop 55 buildings 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”, was completed in March 2019. There are 21 buildings established in Phase I with total saleable area 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 hand over the properties to buyers in April 2019. For the Year, approximately 2,420 square metres of properties were handed over and revenue of approximately HK\$19,399,000 (2020: HK\$201,242,000) was recorded. Up to 31 March 2021, an aggregate of approximately 78% of the total saleable area of Phase I have been handed over to the buyers. As at 31 March 2021, Dalian Chuanghe had sale contracts with contract amount of approximately RMB32,791,000 with gross saleable areas of around 4,600 square metres which would be handed over to buyers in the near future.

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 economic growth in the PRC, the development of Phase II will be re-scheduled subject to the sales condition of Phase I and the property market in Dalian.

The Group reviewed the market value of the completed properties held for sale and properties under development as at 31 March 2021 with reference to a valuation report issued by an independent qualified valuer using market approach and residual method respectively in the assessment of the valuation. For the Year, a reversal of impairment losses on completed properties held for sale of approximately HK\$856,000 (2020: Provision for impairment loss of approximately HK\$25,348,000) was made. There was no impairment provision on properties under development for the Year (2020: Provision for impairment loss of approximately HK\$28,033,000 was made).

* For identification purpose only

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.

As at 31 March 2021, 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 are issued in favour of the purchaser which is an indirect 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).

* *For identification purpose only*

- (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 31 March 2021, 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 sale 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 is 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 located at Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 31 March 2021, 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 terms of payment stated in the sale 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 is 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 described above, 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 April 2021, the Company received the second letter from the vendor requesting for an extension of the deadline to 31 December 2021 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. The management will continue to follow up and take appropriate actions.

The Group reviewed the market value of Yantian Properties (A), (B) and (C) as at 31 March 2021 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. A reversal of impairment loss on deposits paid for Yantian Properties of approximately HK\$5,454,000 (2020: Provision for impairment loss was approximately HK\$5,358,000) was made for the Year.

Beijing Properties

The Group entered into an acquisition agreement on 28 February 2017 to purchase (a) office premises with a gross floor area of 8,335 square metres and (b) underground car park with a gross floor area of 3,100 square metres located in Phrase III of 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 adjustment).

As at 31 March 2021, the Group paid the consideration of RMB200,000,000 in accordance with the payment terms stated in the sale 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. Due to the outbreak of COVID-19 pandemic, the construction works were temporarily suspended and the progress was delayed. In April 2021, the Company received the second letter from the vendor explaining the reasons of delay in construction works and requesting for an extension of handover of the properties. Currently, the vendor has resumed the construction works and the construction is expected to be completed on or before 30 June 2022. The management will continue to follow up and take appropriate actions.

The Group reviewed the market value of Beijing Properties as at 31 March 2021 with reference to a valuation report issued by an independent qualified valuer using market approach in assessment of the valuation. An impairment loss on deposits paid for Beijing Properties of approximately HK\$1,141,000 (2020: HK\$19,057,000) was provided for the Year.

* *For identification purpose only*

Zhejiang Properties

During the Year, the Group acquired 100% equity interest in 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 total 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. The Group recorded rental income of approximately HK\$13,520,000 for the Year (2020: Nil).

The Group reviewed the market value of Zhejiang Properties as at 31 March 2021 with reference to a valuation report issued by an independent qualified valuer using market approach in assessment of the valuation. Increment in fair value of Zhejiang Properties of approximately HK\$2,282,000 (2020: Nil) was recognised for the Year.

Response to outbreak of COVID-19 PANDEMIC

During the Year, COVID-19 pandemic spread widely in the PRC and worldwide. Facing the ongoing situation of the COVID-19 pandemic outbreak, 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, during this critical period, the Group has proactively taken steps to ensure stable operations.

The Group has been coordinating with various parties from time to time and took swift actions whenever necessary. It actively discussed 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 has also implemented 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 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.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment in all material respects. The Group has also adopted effective measures to achieve efficient use of resources, energy saving and waste reduction.

Compliance with Laws and Regulations

During the Year, there was no incident of significant non-compliance with any relevant laws and regulations for the Group.

Relationship with Suppliers, Customers and other Stakeholders

During the Year, there were no material dispute between the Group and its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

PROSPECTS

Although the Group has faced challenge from COVID-19 pandemic during the Year, the Directors are optimistic about the economic development of the PRC in the long run and the demands for water products and properties in the PRC will remain strong and sustainable. The Group will continue to strengthen its competitive strength in its core business, i.e. water business, 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.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2020: 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 specific 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 respectively and the circular of the Company dated 5 June 2018.

Up to 31 March 2021, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Actual use of net proceeds		Actual allocation of net proceeds		Utilisation	Remaining balance of
	HK\$'million	% of net proceeds	HK\$'million	% of net proceeds	HK\$'million	% of net proceeds	up to 31 March 2021	net proceeds as at 31 March 2021
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%	7.7	48.3	
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>268.2</u>	<u>48.3</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, 1 November 2019 and 7 July 2020 respectively and the circulars dated 6 February 2020 and 24 August 2020 respectively, 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 the termination of the acquisition of the Shenyang Property on or before 2 July 2021. The Directors are still assessing the most appropriate time to utilize the said net proceeds. The Board will deploy the unutilised net proceeds of approximately HK\$48.3 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 used between August 2021 and mid-2022.

CAPITAL STRUCTURE

As at 31 March 2021, total equity attributable to owners of the Company was approximately HK\$1,974,578,000 (2020: HK\$1,811,528,000). The increase arose from the profit attributable to owners of the Company. There were no other material change in the capital structure of the Group during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had total assets of approximately HK\$2,275,578,000 (2020: HK\$2,115,424,000) which was financed by current liabilities of approximately HK\$165,214,000 (2020: HK\$190,585,000), non-controlling interests of approximately HK\$102,066,000 (2020: HK\$102,189,000) and shareholders' equity of approximately HK\$1,974,578,000 (2020: HK\$1,811,528,000).

As at 31 March 2021, the Group's current ratio was approximately 6.34 (2020: 5.61). Current ratio is calculated based on current assets divided by current liabilities.

As at 31 March 2021, the Group's gearing ratio was approximately 0.005 (2020: Nil). 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 was 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 respectively.

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

Disposal

The Group has no material disposal during the Year.

SUBSEQUENT EVENTS

The Board is not aware of any significant events that have occurred subsequent to 31 March 2021, which require disclosure herein.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group is mainly exposed to fluctuation in the exchange 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 purpose only

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 25 (2020: 55) employees in Hong Kong and the PRC as at 31 March 2021. The total staff cost (staff salaries, directors' emoluments and other staff costs) for the Year amounted to approximately HK\$9,482,000 (2020: HK\$14,792,000). Remuneration packages are generally structured with reference to market conditions and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidies employees in various trainings and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save and except for those disclosed in note 24 to the consolidated financial statements, the Group did not have any capital commitments and contingent liabilities as at 31 March 2021.

FINANCIAL GUARANTEE CONTRACTS

Save and except for those disclosed in note 22 to the consolidated financial statements, the Group did not have other financial guarantee contracts as at 31 March 2021.

CHARGES ON GROUP'S ASSETS

The Group did not have any charges over its assets as at 31 March 2021.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the Year, the Company complied with all applicable provisions of the Code except for the deviation as stated below:

Code Provision A.1.8

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 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 during the Year and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.

Code Provision A.2.7

Under Code provision A.2.7, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Due to outbreak of COVID-19 pandemic and travelling restriction, the chairman of the Board was not able to hold such meeting face-to-face with the Independent Non-executive Directors. The Company may try to arrange video conference or other equipments for such meetings in the future in order to provide more flexibility for all Directors.

Code Provision A.6.7

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 to gain and develop a balanced understanding of the views of shareholders. Due to outbreak of COVID-19 pandemic and travelling restriction, two Non-executive Directors and three Independent Non-executive Directors 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. The Company may try to arrange video conference or other equipments for general meetings in the future in order to provide more flexibility for all Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2021.

REVIEW OF ANNUAL FINANCIAL STATEMENTS

The figures in respect of the preliminary announcement of the Group’s annual results for the year ended 31 March 2021 have been agreed by the auditors of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules and the Code. The audit committee comprises all independent non-executive Directors. The audit committee has reviewed with the management of the Group, the accounting standards and practices adopted by the Group, and discussed auditing, internal control, risk management and financial reporting matters including the review of interim and annual financial statements.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.asiaresources899.com.hk. The annual report will be dispatched to the shareholders and will also be available on these websites.

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

Hong Kong, 24 June 2021

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.