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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 2022

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 2022 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 2022

		For the six months ended 30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	20,366	12,297
Cost of sales		<u>(3,588)</u>	<u>(4,059)</u>
Gross profit		16,778	8,238
Other gains	6	19,921	72,322
Other losses	7	(46,351)	–
Selling and distribution expenses		(351)	(731)
Administrative expenses		(13,702)	(11,043)
Share of results of associates		(7,081)	(6,921)
Reversal of impairment loss on other receivables		1,878	–
Gain on bargain purchase	24	13,518	–
Finance costs	8	<u>(531)</u>	<u>(511)</u>
(Loss)/profit before taxation	9	(15,921)	61,354
Taxation	10	<u>(1,025)</u>	<u>(609)</u>
(Loss)/profit for the period		<u>(16,946)</u>	<u>60,745</u>

* For identification purposes only

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

For the six months ended 30 September 2022

	For the six months ended 30 September	
<i>Notes</i>	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	(89,252)	13,727
Share of other comprehensive income of associates	447	(2)
	<u>(88,805)</u>	<u>13,725</u>
Other comprehensive income for the period, net of tax		
	<u>(88,805)</u>	<u>13,725</u>
Total comprehensive income for the period	<u>(105,751)</u>	<u>74,470</u>
(Loss)/profit attributable to:		
– Owners of the Company	(16,757)	61,179
– Non-controlling interests	(189)	(434)
	<u>(16,946)</u>	<u>60,745</u>
Total comprehensive income attributable to:		
– Owners of the Company	(104,889)	74,825
– Non-controlling interests	(862)	(355)
	<u>(105,751)</u>	<u>74,470</u>
	<i>HK\$</i>	<i>HK\$</i>
(Loss)/earnings per share attributable to owners of the Company:		
– Basic and diluted	<i>11</i> <u>(0.002)</u>	<u>0.008</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022	At 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	13	813,100	105,301
Property, plant and equipment	14	47,019	40,119
Right-of-use assets		1,045	1,913
Intangible assets	15	295,932	297,560
Interests in associates	16	140,366	147,000
Deposits paid	20	360,029	401,504
		1,657,491	993,397
Current assets			
Properties under development	17	–	–
Completed properties held for sale	18	66,325	77,950
Trade receivables	19	18,096	6,434
Prepayments, deposits and other receivables	20	165,965	786,064
Amount due from an associate	16	741	3,236
Amount due from non-controlling interest	21	11,598	23,973
Financial assets at fair value through profit or loss		2,072	2,036
Restricted bank deposits		757	350
Bank balances and cash		42,368	18,232
		307,922	918,275
Current liabilities			
Trade payables	22	55,696	62,631
Other payables and accruals		58,318	53,527
Contract liabilities		36,483	44,766
Lease liabilities		972	1,543
Tax payables		689	534
		152,158	163,001

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2022

		At 30 September 2022	At 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Net current assets		<u>155,764</u>	<u>755,274</u>
Total assets less current liabilities		<u>1,813,255</u>	<u>1,748,671</u>
Capital and reserves			
Share capital	23	86,117	76,117
Reserves		<u>1,483,867</u>	<u>1,569,246</u>
Total equity attributable to owners of the Company		1,569,984	1,645,363
Non-controlling interests		<u>86,948</u>	<u>87,810</u>
		<u>1,656,932</u>	<u>1,733,173</u>
Non-current liabilities			
Deferred tax liabilities		156,323	15,146
Lease liabilities		<u>–</u>	<u>352</u>
		<u>156,323</u>	<u>15,498</u>
		<u>1,813,255</u>	<u>1,748,671</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 II, Bermuda and its principal place of business of the Company in Hong Kong 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 development, property investment and production and sales of bottled 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial statements were approved for issue on 28 November 2022. 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 2022, 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 2021.

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKFRS 3 (Amendments)	Reference to Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRS 2018-2020

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.

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 reviewed 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	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	<u>-</u>	<u>-</u>	<u>20,366</u>	<u>12,297</u>	<u>20,366</u>	<u>12,297</u>
Total revenue	<u>-</u>	<u>-</u>	<u>20,366</u>	<u>12,297</u>	<u>20,366</u>	<u>12,297</u>
Segment results	(3,097)	24,811	(13,400)	49,405	(16,497)	74,216
Fair value gain/(loss) on financial assets at fair value through profit or loss					36	(267)
Central administration costs					(5,366)	(5,163)
Gain on bargain purchase					13,518	-
Share of results of associates					(7,081)	(6,921)
Finance costs					<u>(531)</u>	<u>(511)</u>
(Loss)/profit before taxation					<u>(15,921)</u>	<u>61,354</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 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
ASSETS						
Segment assets	349,669	362,305	1,447,879	1,278,868	1,797,548	1,641,173
Unallocated corporate assets					167,865	270,499
					<u>1,965,413</u>	<u>1,911,672</u>
LIABILITIES						
Segment liabilities	(27,069)	(31,772)	(278,929)	(134,012)	(305,998)	(165,784)
Unallocated corporate liabilities					(2,483)	(12,715)
					<u>(308,481)</u>	<u>(178,499)</u>

5. REVENUE

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from contracts with customers		
Sales of properties	4,059	3,998
Revenue from leases	<u>16,307</u>	<u>8,299</u>
Total Revenue	<u>20,366</u>	<u>12,297</u>

6. OTHER GAINS

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	19,657	36,713
Interest income on bank deposit	34	32
Interest income from an associate	53	121
Compensation relating to failure to fulfil production volume guarantee by the minority shareholder	–	26,338
Dividend income from financial assets at fair value through profit or loss	47	27
Exchange gain, net	–	8,996
Government grant	5	–
Bad debt recovery	114	–
Sundry	11	95
	<u>19,921</u>	<u>72,322</u>

7. OTHER LOSSES

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Exchange loss, net	46,347	–
Written off of property, plant and equipment	4	–
	<u>46,351</u>	<u>–</u>

8. FINANCE COSTS

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on lease liabilities	67	82
Interest on other payables	464	429
	<u>531</u>	<u>511</u>

9. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The Group's (loss)/profit before taxation is arrived at after charging/(crediting):		
Amortisation of land use right	106	109
Depreciation of right-to-use assets	855	1,015
Depreciation of property, plant and equipment	1,528	1,666
Staff costs (including directors' remuneration)	4,715	3,431
Lease payment not include in the measurement of lease liabilities	67	49
Fair value (gain)/loss on financial assets at fair value through profit or loss	(36)	267
	<u>(36)</u>	<u>267</u>

10. TAXATION

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	1,145	609
Total current tax expenses	1,145	609
Deferred income tax:		
– (Decrease)/increase in deferred tax liabilities	(120)	–
Income tax expenses for the period	<u>1,025</u>	<u>609</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 2022 and 2021.

Subsidiaries of the Company in the PRC are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 September 2022 and 2021.

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

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit		
(Loss)/profit for the period attributable to the owners of the Company	<u>(16,757)</u>	<u>61,179</u>

**11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY
(CONTINUED)**

	<i>'000 Shares</i> (unaudited)	<i>'000 Shares</i> (unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>7,961,417</u>	<u>7,611,690</u>

The basic and diluted (loss)/earnings per share are the same for the six months ended 30 September 2022 and 2021, as there are no dilutive potential ordinary shares in existence.

12. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 April 2021 (audited)	132,516
Additions	2,487
Transfer from construction in progress	2,330
Fair value changes	(37,074)
Exchange realignment	<u>5,042</u>
As 31 March 2022 (audited)	105,301
Additions through acquisition of subsidiaries (<i>note 24</i>)	757,161
Exchange realignment	<u>(49,362)</u>
As 30 September 2022 (unaudited)	<u>813,100</u>

13. INVESTMENT PROPERTIES (CONTINUED)

Amount recognised in profit or loss for investment properties

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Lease income from operating leases	13,978	4,867
Direct operating expenses on investment properties that generated lease income	<u>2,657</u>	<u>1,597</u>

On 27 May 2022, the Group completed the acquisition of investment properties through acquisition of a subsidiary at a consideration of RMB376 million. Investment properties are situated in the PRC and are held under medium-term leases. Details of the acquisition are set out in note 24.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group purchased property, plant and equipment of approximately HK\$8,165,000 and acquired property, plant and equipment through acquisition of a subsidiary of approximately HK\$5,008,000. The items of property, plant and equipment with carrying amount of approximately HK\$4,000 were written off during the six months ended 30 September 2022.

During the six months ended 30 September 2021, the Group purchased property, plant and equipment of approximately HK\$8,782,000.

For the six months ended 30 September 2022, the lease income from machinery leased under operating leases of the Group was approximately HK\$2,329,000 (six months ended 30 September 2021: approximately HK\$3,432,000).

15. 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 2021 (audited)	10,734	374,460	385,194
Exchange realignment	<u>452</u>	<u>179</u>	<u>631</u>
At 31 March 2022 (audited)	11,186	374,639	385,825
Exchange realignment	<u>(1,155)</u>	<u>(458)</u>	<u>(1,613)</u>
At 30 September 2022 (unaudited)	<u>10,031</u>	<u>374,181</u>	<u>384,212</u>
Accumulated amortisation and impairment			
At 1 April 2021 (audited)	581	46,932	47,513
Amortisation for the year	220	–	220
Impairment loss for the year	–	40,504	40,504
Exchange realignment	<u>28</u>	<u>–</u>	<u>28</u>
At 31 March 2022 (audited)	829	87,436	88,265
Amortisation for the period	106	–	106
Exchange realignment	<u>(91)</u>	<u>–</u>	<u>(91)</u>
At 30 September 2022 (unaudited)	<u>844</u>	<u>87,436</u>	<u>88,280</u>
Carrying amount			
At 30 September 2022 (unaudited)	<u>9,187</u>	<u>286,745</u>	<u>295,932</u>
At 31 March 2022 (audited)	<u>10,357</u>	<u>287,203</u>	<u>297,560</u>

15. 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.

Land use right is amortized 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, 湖南新田富鋸礦泉水有限公司, has 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.

The water mining licence expired on 3 May 2022 and the renewal application has been submitted to the government authorities in April 2022. Affected by the COVID-19 pandemic, the renewal procedures of the government authorities were delayed. The Xintian County Natural Resources Bureau* (新田縣自然資源局), Xintian County People's Government* (新田縣人民政府) and Yongzhou City Natural Resources and Planning Bureau* (永州市自然資源和規劃局) have issued letters to agree for the renewal of water mining licence. It is expected that the renewal procedures will be completed in the fourth quarter of 2022 and the delay in the renewal of water mining licence will not affect the construction and production plan of the factory in Hunan.

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 period ended 30 September 2022 as commercial production has not yet commenced during the period.

The Directors 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.

* *For identification purposes only*

16. INTERESTS IN ASSOCIATES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
At the beginning of the period/year	147,000	190,826
Share of post-acquisition losses and other comprehensive income during the period/year, net of dividends received	(6,634)	(14,431)
Impairment loss for the period/year	—	(29,395)
At the end of the period/year	<u>140,366</u>	<u>147,000</u>
	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Amount due from an associate	<u>741</u>	<u>3,236</u>

Notes:

- (i) As at 30 September 2022 and 31 March 2022, 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 period was approximately HK\$3,236,000.
- (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, the Chairman and an executive Director of the Company.

* For identification purposes only

16. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates, which were held indirectly by the Company at the end of the 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 2022 (unaudited)	At 31 March 2022 (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 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Current assets	<u>30,185</u>	<u>33,407</u>
Non-current assets	<u>86,038</u>	<u>101,905</u>
Current liabilities	<u>185,518</u>	<u>203,245</u>
Non-current liabilities	<u>5,528</u>	<u>–</u>

* For identification purposes only

16. INTERESTS IN ASSOCIATES (CONTINUED)

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	<u>3,063</u>	<u>3,195</u>
Loss for the period	(35,405)	(34,607)
Other comprehensive income	<u>2,236</u>	<u>(10)</u>
Total comprehensive income	<u>(33,169)</u>	<u>(34,617)</u>

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

	At	At
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(unaudited)	(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	2,048	2,048
Share of post-acquisition losses and other comprehensive income, net of dividends received	<u>(65,131)</u>	<u>(58,497)</u>
Carrying amount of the Group's interests in associates	<u>140,366</u>	<u>147,000</u>

There is no commitment and contingent liabilities under the associates.

17. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Properties under development	347,544	347,544
Less: provision for impairment	<u>(347,544)</u>	<u>(347,544)</u>
	<u>—</u>	<u>—</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 2022, the carrying amount of the properties under development included land use rights of approximately HK\$114,582,000 (as at 31 March 2022: approximately HK\$127,782,000).

On 27 January 2022, the Group received an idle land decision from Dalian Municipal Bureau of Natural Resources* (大連市自然資源局) which determined the land of properties under development was in idle condition and the land may be repossessed by the PRC government authorities without compensation. The Board has reviewed and reconsidered the development plan and projected a significant drop in gross profit margin in developing the properties under development. Due to the abovementioned factors, the Board considered a full impairment on the properties under development is appropriate and reasonable. Nevertheless, the management are still using its best endeavors to avoid land repossession by the PRC government authorities without compensation.

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

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>—</u>	<u>—</u>

* For identification purposes only

18. COMPLETED PROPERTIES HELD FOR SALE

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Completed properties held for sale	123,229	144,089
Less: Provision for impairment	<u>(56,904)</u>	<u>(66,139)</u>
	<u>66,325</u>	<u>77,950</u>

The completed properties held for sale were located at 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 classified under current assets as it is expected to be realised in the Group's normal operating cycle.

19. TRADE RECEIVABLES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Trade receivables	<u>18,096</u>	<u>6,434</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:

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
0 to 180 days	18,084	6,434
181 to 365 days	<u>12</u>	<u>–</u>
	<u>18,096</u>	<u>6,434</u>

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

* For identification purposes only

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Non-current assets:		
Deposits for acquisition of investment properties, net (<i>notes i</i>)	<u>360,029</u>	<u>401,504</u>
Current assets:		
Deposits paid, net (<i>note ii</i>)	3,134	584,870
Prepayments (<i>note iii</i>)	6,069	6,636
Accrued income	12,658	–
Other receivables (<i>note iv</i>)	45,233	47,657
Amount due from the substantial shareholder (<i>note v</i>)	<u>98,871</u>	<u>146,901</u>
	<u>165,965</u>	<u>786,064</u>

Notes:

(i) Yantian Properties

As at 30 September 2022, deposits paid of approximately HK\$199,263,000, net of provision for impairment of approximately HK\$77,152,000 (as at 31 March 2022: approximately HK\$222,217,000, net of provision for impairment of approximately HK\$86,040,000) 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 building ownership certificate. In April 2021, the Company received another letter from the vendor requesting for further extension of deadline to 31 December 2021 for handling the building ownership certificate matter. However, due to the continuation of the COVID-19 pandemic, the registration of building ownership certificates has not been completed by the extended deadline. The Company has engaged a PRC legal advisor to negotiate with the vendor to resolve this matter. The management will continue to follow up and take appropriate actions. The Group is also considering and assessing various possible ways to resolve this matter in a more cost efficient and time-efficient manner, including but not limited to looking for potential buyers in order to enable the Group to dispose of the interests in the properties.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(i) (Continued)

Beijing Properties

As at 30 September 2022, deposit paid of approximately HK\$144,841,000, net of provision for impairment of approximately HK\$76,290,000 (as at 31 March 2022: approximately HK\$161,527,000, net of provision for impairment of approximately HK\$85,079,000) was related to 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 for several times and the progress was significantly affected and delayed. In the second quarter of 2022, there was an outbreak of the COVID-19 pandemic in Beijing again, which further affected the construction progress. In June 2022, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for a further 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 31 December 2022. The Company has engaged a PRC legal advisor to handle this matter. The management will continue to follow up and take appropriate actions.

Naming right and advertisement board of properties in Yantian

As at 30 September 2022, deposit paid of approximately HK\$15,925,000, net of provision for impairment of approximately HK\$3,945,000 (as at 31 March 2022: approximately HK\$17,760,000, net of provision for impairment of approximately HK\$4,399,000) was related to the naming right and advertisement board of the properties located in Yantian.

- (ii) As at 30 September 2022, deposits paid were mainly comprised rental deposits and payments for business related matters. As at 31 March 2022, deposits paid were mainly relating to acquisition of properties in Shenyang.

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 (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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

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 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 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.

Afterwards, the Group has set up a special committee to handle the repayment and/or the recovery of the Refund Amount, and entered into several supplemental agreements with Mr. Li Yuguo regarding the extension of repayment deadline with the agreed interest rates on the amount outstanding. Details of the supplemental agreements are set out in the announcements of the Company dated 29 April 2020, 8 May 2020, 7 July 2020, 7 July 2021, 1 September 2021, 28 October 2021, and 19 August 2022 and the circulars of the Company dated 24 August 2020, 1 November 2021 and 30 September 2022 respectively.

As at 31 March 2022, the balance of deposits paid related to the acquisition of properties in Shenyang represented to the Refund Amount outstanding approximately RMB473,820,000 (equivalent to approximately HK\$584,234,000).

As at 30 September 2022, the Group has received from Mr. Li Yuguo the full amount of Refund Amount outstanding.

- (iii) As at 30 September 2022 and 31 March 2022, prepayments mainly comprised prepayment of indirect cost incurred for properties under development and purchase cost of machineries for the production of bottled mineral water in Hunan.
- (iv) As at 30 September 2022 and 31 March 2022, other receivables mainly comprised other taxes prepaid in the PRC and advance payments for business related matters.
- (v) As at 30 September 2022, amount due from the substantial shareholder, Mr. Li Yuguo, represented the interest receivables (as at 31 March 2022, represented the compensation and interest receivables) relating to the termination of the acquisition of Shenyang Properties as detailed in (ii). The amount was approximately RMB89,423,000 (as at 31 March 2022: approximately RMB119,138,000) and repayable on or before 2 July 2023. The amount is denominated in RMB.

21. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

On 23 May 2017, the Group entered into a sale and purchase agreement with Mr. Lam Chun Ho, pursuant to which Mr. Lam Chun Ho agreed to sell, and the Group agreed to purchase, 67% of the equity interests in Good Union (China) Limited (“Good Union”). Immediately after the acquisition by the Group, Good Union was owned by the Group and Mr. Lam Chun Ho as to 67% and 33% respectively. Mr. Lam Chun Ho has given certain production volume guarantee in the sale and purchase agreement, including the production volume of spring water shall not be less than 50,000 cubic metres in 2019 and 100,000 cubic metres for each calendar year from 2020 to 2028. If Good Union fails to satisfy the production volume guarantee, Mr. Lam Chun Ho shall be required to pay monetary compensation to the Group. For details, please refer to the announcement of the Company dated 23 May 2017.

On 27 August 2021, Mr. Lam Chun Ho disposed of his 33% shareholding in Good Union to an independent third party. The Group continues to hold 67% of the shareholding in Good Union. The new minority shareholder of Good Union has agreed to assume all the liabilities and commitments of Mr. Lam Chun Ho. The new minority shareholder of Good Union has also agreed and fulfilled certain compensation obligations of Mr. Lam Chun Ho. The compensation relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan for the years 2019 and 2020 of approximately HK\$26,338,000 was mutually agreed between the new minority shareholder and the Group.

Up to the date of this announcement, the Group has received partial compensation of HK\$14,700,000 from the new minority shareholder. The Group is maintaining communication with the new minority shareholder which has responded that their business in the PRC has been affected by the government policies and restrictions relating to pandemic control measures which resulted in the delay in settlement of the entire compensation amount.

The amount is unsecured, interest-free, repayable on or before the end of 2022 and denominated in RMB.

22. TRADE PAYABLES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Trade payables	<u>55,696</u>	<u>62,631</u>

22. TRADE PAYABLES (CONTINUED)

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 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
0 to 180 days	1,349	1,693
181 to 365 days	–	87
Over 365 days	<u>54,347</u>	<u>60,851</u>
	<u>55,696</u>	<u>62,631</u>

23. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and 30 September 2022 (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 2021 (audited), 31 March 2022 (audited) and 1 April 2022 (audited)	7,611,690,000	76,117
Placing of new shares (<i>note</i>)	<u>1,000,000,000</u>	<u>10,000</u>
At 30 September 2022 (unaudited)	<u>8,611,690,000</u>	<u>86,117</u>

Note:

On 29 July 2022, a total of 1,000,000,000 placing shares have been successfully placed by placing agent to not less than six placees at placing price of HK\$0.03 per share. The Company intends to utilise the net proceeds of HK\$29.51 million for working capital of the Group and potential investment purpose.

24. ACQUISITION OF SUBSIDIARIES

Acquisition of Shun Jie International Holdings Company Limited (“Shun Jie”)

During the six months ended 30 September 2022, the Group acquired 100% of the issued share capital of, and the shareholder’s loan advance to, Shun Jie at a consideration of RMB376 million (equivalent to approximately HK\$437,988,000). Shun Jie is principally engaged in investment holding and its indirect wholly-owned subsidiary is principally engaged in property investment. The acquisition has been completed on 27 May 2022.

	Carrying value	Fair value adjustment	Fair value
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
The identifiable assets acquired and the liabilities assumed at the date of acquisition			
Investment properties	171,993	585,168	757,161
Property, plant and equipment	5,008	–	5,008
Trade receivables	6,977	(373)	6,604
Accrued income and other receivables	18,080	(185)	17,895
Bank balances and cash	343	–	343
Tax payables	(287)	–	(287)
Other payables and accruals	(184,777)	–	(184,777)
Deferred tax liabilities	(4,149)	(146,292)	(150,441)
Identifiable net assets	13,188	438,318	451,506
Gain on bargain purchase			(13,518)
Total consideration (<i>note</i>)			<u>437,988</u>
			<i>HK\$’000</i>
Net cash inflow from the acquisition			
Bank balances and cash acquired			<u>(343)</u>

Note:

The total consideration of acquisition of Shun Jie was paid by Mr. Li Yuguo, a substantial shareholder, the chairman and an executive director of the Company, on behalf of the Company directly.

24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition of Shun Jie International Holdings Company Limited (“Shun Jie”) (Continued)

The Group recognised a gain on bargain purchase of approximately HK\$13,518,000 in the business combination as a result of the fair value of Shun Jie’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.

Shun Jie contributed a profit for the period of approximately HK\$7,826,000 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 2022, the Group’s revenue for the period would have been approximately HK\$25,537,000, and the Group’s loss for the period would have been approximately HK\$13,520,000. 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 2022, nor is intended to be a projection of future results.

25. FINANCIAL GUARANTEE LIABILITIES

At 30 September 2022, 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 (as at 31 March 2022: 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.
- (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 had been repaid by 大連澤琦 on 30 December 2017.

25. FINANCIAL GUARANTEE LIABILITIES (CONTINUED)

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 believe that the aforesaid loans, interests and other costs can be fully 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 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 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 interim financial statements for these guarantees.

26. CAPITAL COMMITMENTS

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

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of investment properties	42,873	47,812
Property development expenditure	100,430	112,000
Construction in-progress for water exploitation activities in Hunan	16,817	16,374
	<u>160,120</u>	<u>176,186</u>

27. 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 interim financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) Transaction relating to a substantial shareholder

As disclosed in note 20(v), interest income relating to termination of acquisition of Shenyang Properties for the six months ended 30 September 2022 and 2021, 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:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	<u>19,657</u>	<u>36,713</u>

(b) Transaction relating a minority shareholder

As disclosed in note 21, during the six months ended 30 September 2022 and 2021, the compensation relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan for the years 2020 and 2021, which were receivable from the minority shareholder of the Company, are recognised as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Compensation relating to failure to fulfil production volume guarantee by the minority shareholder	<u>–</u>	<u>26,338</u>

27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Remuneration of key management personnel

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	1,118	1,112
Retirement benefits scheme	9	9
	<u>1,127</u>	<u>1,121</u>

28. SUBSEQUENT EVENTS

- (1) On 14 October 2022, the proposed consolidation of every ten (10) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into one (1) consolidated share of HK\$0.10 each in the share capital of the Company became effective.

Further details of the share consolidation can be referred to our announcements dated 1 September 2022 and 13 October 2022 and our circular dated 19 September 2022.

- (2) On 19 August 2022, Asiaciti Investment Limited (“Asiaciti”) and Mr. Li Yuguo (Mr. Li”), a substantial shareholder, the Chairman and Executive Director of the Company entered into the fourth further supplemental agreement (the “Fourth Further Supplemental Agreement”), pursuant to which, Mr. Li agreed to repay Asiaciti the outstanding interest of RMB88,588,337.26 (the “Outstanding Interest”) together with the interest to be accrued on the Outstanding Interest at an interest rate of 8% per annum on or before 2 July 2023.

The Fourth Further Supplemental Agreement was approved by the independent shareholders at the special general meeting of the Company held on 20 October 2022.

29. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 28 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2022 (the “Reporting Period”), the revenue of Asia Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approximately HK\$20,366,000 (six months ended 30 September 2021: approximately HK\$12,297,000). The increase was mainly due to increase in rental and management fee income after the acquisition of a subsidiary which holds certain investment properties in Suzhou, the People’s Republic of China (the “PRC”).

Cost of Sales

For the Reporting Period, the cost of sales of the Group was approximately HK\$3,588,000 (six months ended 30 September 2021: approximately HK\$4,059,000). The cost of sales for the Reporting Period represented the cost of properties sold.

Gross Profit

For the Reporting Period, the Group recorded a gross profit of approximately HK\$16,778,000 (six months ended 30 September 2021: approximately HK\$8,238,000). The gross profit was mainly attributable to rental income from the investment properties in Suzhou and Zhejiang.

Other Gains

For the Reporting Period, the Group recorded other gains of approximately HK\$19,921,000 (six months ended 30 September 2021: approximately HK\$72,322,000). The decrease was mainly due to:

- no currency exchange gains in the Reporting Period, in contrast with the currency exchange gains on the corresponding monetary assets and liabilities resulting from the appreciation of Renminbi in the corresponding period in 2021;

- the decrease in interest income relating to the termination of acquisition of properties located in Shenyang, the PRC as a substantial portion of the outstanding sum had been settled during the Reporting Period (details of which were disclosed in the section headed “Connected Transaction”); and
- the compensation payable by the minority shareholder of Good Union (China) Limited (“Good Union”), a non wholly-owned subsidiary of the Company, relating to the production volume guarantee of the water mining business in Hunan for the year 2021 (details of which are set out in note 21 to the interim financial statements) not having been recognised in the Reporting Period as the amount of compensation had not been agreed between the Group and the minority shareholder, in contrast with the compensation relating to the production volume guarantee for the years 2019 and 2020 having been recognised in the corresponding period in 2021.

Other Losses

For the Reporting Period, the Group recorded other losses of approximately HK\$46,351,000 (six months ended 30 September 2021: Nil). The other losses was mainly attributable to the currency exchange losses on the monetary assets and liabilities denominated in Renminbi resulting from the depreciation of Renminbi in the Reporting Period.

Selling and Distribution Expenses

For the Reporting Period, selling and distribution expenses were approximately HK\$351,000 (six months ended 30 September 2021: approximately HK\$731,000). The decrease was due to less agency fee incurred for selling the remaining unsold properties in Dalian.

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\$13,702,000 (six months ended 30 September 2021: approximately HK\$11,043,000). The increase was mainly due to the increase in staff costs as a result of the increase in average number of staff during the Reporting Period, and the increase in land and property taxes of the investment properties in the PRC.

Share of Results of Associates

For the Reporting Period, share of losses of associates was approximately HK\$7,081,000 (six months ended 30 September 2021: approximately HK\$6,921,000) which were mainly due to the depreciation of property, plant and equipment and amortization of water procurement permit of the associate in Guangxi. The increase in loss was mainly due to the revenue of the associates adversely affected by the COVID-19 pandemic.

Profit for the Period

For the Reporting Period, the Group recorded loss for the period of approximately HK\$16,946,000 (six months ended 30 September 2021: a profit of approximately HK\$60,745,000). The turnaround from profit to loss was mainly due to (i) decrease in other gains; (ii) increase in other losses; and (iii) increase in administrative expenses as set out above.

BUSINESS REVIEW

The Group continuously focuses on its core businesses in water business, property development and property investment business. Since the early 2020, in response to the COVID-19 pandemic, the PRC government authorities imposed travel restrictions for a long period of time and implemented varying degrees of movement controls in certain regions. These precautionary measures adversely affected our core businesses and caused unforeseen delays in our investment and development. The Company is proactively taking actions to mitigate the adverse impacts of the COVID-19 pandemic on the Group.

Water Business

The Group recorded a loss from water business segment of approximately HK\$3,097,000 for the Reporting Period (six months ended 30 September 2021: profit of approximately HK\$24,811,000). The turnaround from profit to loss from water business segment was mainly due to the compensation payable by the minority shareholder of Good Union, a non wholly-owned subsidiary of the Company, relating to the production volume guarantee of the water mining business in Hunan for the year 2021 (details of which are set out in note 21 to the interim financial statements) not having been recognised in the Reporting Period as the amount of compensation had not been agreed between the Group and the minority shareholder, in contrast with the compensation relating to the production volume guarantee for the years 2019 and 2020 having been recognised in the corresponding period in 2021.

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\$7,081,000 (six months ended 30 September 2021: approximately HK\$6,921,000), which were mainly due to the depreciation of property, plant and equipment and amortization of water procurement permit. The increase in loss was mainly due to the revenue of the associates adversely affected by the COVID-19 pandemic.

Water Mining

The Group holds 67% equity interests in Good Union which has a wholly-owned subsidiary in Hunan. It possesses a water mining licence for exploitation of mineral water in Hunan. The construction works of the production facilities has been suspended and delayed due to the outbreak of COVID-19 pandemic since January 2020. The construction works were resumed in the first half of 2021. However, due to the outbreak of the Omicron variant of the COVID-19 virus in the PRC since the beginning of 2022, the construction works have to be further delayed. The construction of the factory is expected to be completed by the end of 2022 and the production is expected to commence in around early 2023. However, there still exists uncertainties on future lock-down, travel restrictions requirements or control and testing measures that may be imposed by the government from time to time. As at the date of this announcement, the basic infrastructure of the factory has been completed and the surrounding facilities are under construction.

On 27 August 2021, the former minority shareholder of Good Union, Mr. Lam Chun Ho disposed of his 33% shareholding in Good Union to an independent third party. The Company continues to hold 67% shareholding in Good Union. The new minority shareholder of Good Union has agreed to assume all the liabilities and commitments of Mr. Lam Chun Ho. The new minority shareholder of Good Union has also agreed and fulfilled certain compensation obligations of Mr. Lam Chun Ho. The compensation relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan for the years 2019

and 2020 of approximately HK\$26,338,000 was mutually agreed between the new minority shareholder and the Group. As of the date of this announcement, the new minority shareholder has paid approximately HK\$14.7 million to the Group and expects to pay the balance of the compensation amount by the end of 2022. The Group is maintaining communication with the new minority shareholder which has responded that their business in the PRC has been affected by the government policies and restrictions relating to pandemic control measures which resulted in the delay in settlement of the entire compensation amount.

The production volume guarantee of the year 2021 was not satisfied due to stringent precautionary measures for the COVID-19 pandemic and the delay in constructions works. For the compensation for the year 2021, the Group is still negotiating with the new minority shareholder.

The water mining licence expired on 3 May 2022 and the renewal application has been submitted in April 2022. Affected by the COVID-19 pandemic, the renewal procedures of the government authorities were delayed. The Xintian County Natural Resources Bureau* (新田縣自然資源局), Xintian County People's Government* (新田縣人民政府) and Yongzhou City Natural Resources and Planning Bureau* (永州市自然資源和規劃局) have issued letters agreeing the renewal of water mining licence. It is expected that the renewal procedures will be completed in the fourth quarter of 2022 and the delay of the renewal of water mining licence will not affect the construction and production plan of the factory in Hunan.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT BUSINESS

The Group recorded a loss from property development and investment segment of approximately HK\$13,400,000 for the Reporting Period (six months ended 30 September 2021: profit of approximately HK\$49,405,000). The turnaround from profit to loss was mainly due to:

- (i) the currency exchange losses on the monetary assets and liabilities denominated in Renminbi resulting from the depreciation of Renminbi in the Reporting Period, in contrast with the currency exchange gains on the corresponding monetary assets and liabilities resulting from the appreciation of Renminbi in the corresponding period in 2021; and

* For identification purposes only

- (ii) the decrease in interest income relating to the termination of acquisition of properties located in Shenyang, the PRC as a substantial portion of the outstanding sum had been settled during the Reporting Period (details of which were disclosed in the section headed “Connected Transaction”).

Property Development

Dalian Properties

An indirect wholly-owned subsidiary of the Company 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”) at Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC*.

Phase I, named “Xin Tian Jia Yuan”, was completed in March 2019 and recognised as the completed properties held for sale of the Group. There are 21 buildings completed 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 Reporting Period, approximately 501 square metres of the properties were handed over and revenue of approximately HK\$4,059,000 (six months ended 30 September 2021: HK\$3,998,000) was recorded. Up to 30 September 2022, an aggregate of approximately 80% of the total saleable area of Phase I have been handed over to the buyers. As at 30 September 2022, Dalian Chuanghe had sale contracts with aggregate contract amount of approximately RMB33,326,000 with gross saleable areas of around 4,500 square metres which would be handed over to buyers in the near future.

Phase II is recognised as the properties under development of the Group. The Group planned to develop 34 buildings with aggregate saleable area of approximately 69,000 square metres. The development of Phase II is in preliminary stage. Due to (i) the outbreak of the COVID-19 pandemic since the beginning of 2020; (ii) the slowdown of economic growth in the PRC; and (iii) the debt crisis of some of the property developers in the PRC since mid-2021, the development of Phase II has been delayed and rescheduled to late 2022 or early 2023.

* For identification purposes only

On 27 January 2022, Dalian Chuanghe received an idle land decision from Dalian Municipal Bureau of Natural Resources* (大連市自然資源局), pursuant to which the land of Phase II was determined to be in idle condition. Therefore, for the land of Phase II, there is a risk being repossessed by the PRC government authorities without compensation. The management of Dalian Chuanghe is actively negotiating and communicating with the PRC government authorities to lift the decision of idle status and to avoid land repossession by the PRC government authorities without compensation.

As at the date of this announcement, the legal title of the land of Phase II remained under the control of the Company despite the idle land decision. Up to the date of this announcement, no further action was taken by the PRC government authorities and the Company was not aware of any exact timeline of the repossession.

Regarding the development of Phase II, the risk of repossession of the land is only one of the factors to be considered by the Group. The Group also considers other factors, including but not limited to the current and the future market environment and sentiment, the costs and benefits in proceeding with the development of Phase II at this stage, the economic and other risks involved, the progress of sale of the remaining units in Phase I, the government policies, the other potential options available to the Group, etc.. The Group has also considered other potential options, such as sale of the land to third party or developing Phase II together with third party developers. The Group is still seeking for suitable investors or partners.

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).

* *For identification purposes only*

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 30 September 2022, the Group had obtained physical possession of the property and conditionally paid 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).

- (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 2022, 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).

* For identification purposes only

(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 30 September 2022, 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 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 the issue of the building ownership certificates remained outstanding. 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. However, due to the continuation of the COVID-19 pandemic, the registration of building ownership certificates has not been completed by the extended deadline. The Company has engaged a PRC legal advisor to negotiate with the vendor to resolve this matter. The management will continue to follow up and take appropriate actions. The Group is also considering and assessing various possible ways to resolve this matter in a more cost-efficient and time-efficient manner, including but not limited to looking for potential buyers in order to enable the Group to dispose of the interests in the properties.

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 30 September 2022, 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 for several times and the progress was significantly affected and delayed. In the second quarter of 2022, there was an outbreak of the COVID-19 pandemic in Beijing again, which further affected the construction progress. In June 2022, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for a further 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 31 December 2022. The Company has engaged a PRC legal advisor to handle this matter. The management will continue to follow up and take appropriate actions.

Zhejiang Properties

The Group 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 at Chen Village, Shanghua Street, Lanxi City, Jinhua, Zhejiang Province, the PRC*.

* For identification purposes only

The industrial lands and building are currently leased to tenants for rental income. The Group recorded rental income of approximately HK\$4,988,000 for the Reporting Period (six months ended 30 September 2021: approximately HK\$8,299,000). During the Reporting Period, some of the tenants did not renew the tenancy agreements as the Group understands that their business were affected by the continuation of the COVID-19 pandemic. Therefore, the rental income for the Reporting Period decreased. The management of the relevant subsidiary of the Group is actively soliciting new tenants to maintain higher occupancy rate.

Suzhou Properties

During the Reporting Period, the Group acquired 100% equity interest of Shun Jie International Holdings Company Limited, which holds the land use rights in respect of several buildings with total construction area of approximately 14,798 square metres together with the land parcel with a total site area of approximately 20,841 square metres located in Suzhou. The acquisition has been completed on 27 May 2022.

The land and buildings are currently leased to tenants for rental income. For the Reporting Period, the Group recorded rental and management fee income of approximately HK\$11,319,000 (six months ended 30 September 2021: Nil).

PROSPECT

Although the Group has faced challenge from the COVID-19 pandemic since early 2021, the Directors are optimistic about the economic development of the PRC in the long run and believe 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, 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 early 2020, 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.

SIGNIFICANT INVESTMENTS

The Group had no material investments 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 2021: 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 2022, the Group had used 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
	<i>HK\$'</i> <i>million</i>	<i>% of net</i> <i>proceeds</i>		<i>HK\$'</i> <i>million</i>	<i>% of net</i> <i>proceeds</i>	up to 30 September 2022 <i>HK\$'</i> <i>million</i>	balance of net proceeds as at 30 September 2022 <i>HK\$'</i> <i>million</i>
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	<u>47.5</u>	<u>15.0%</u>	Working capital of the Group	<u>47.5</u>	<u>15.0%</u>	<u>47.5</u>	<u>–</u>
	<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 has temporarily re-allocated the aforesaid unutilised net proceeds for the acquisition of Shenyang Properties in previous years. Referring to the announcements dated 24 April 2019, 1 November 2019, 7 July 2020, 1 September 2021 and 19 August 2022 respectively, the circular dated 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively, the acquisition of the Shenyang Properties 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 for the refunds of the outstanding sum in relation to the termination of the acquisition of the Shenyang Properties on or before 2 July 2023.

The unutilised net proceeds for the use of the capital expenditure on the production facilities of Hunan Xintian is expected to be utilised between December 2022 and mid-2023. 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.

Placing of Shares on 29 July 2022

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 29 July 2022 were approximately HK\$29.51 million. Details of the placing of shares were set out in the announcements of the Company dated 5 July 2022 and 29 July 2022.

Up to 30 September 2022, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation of		Utilisation	Remaining
	net proceeds	% of	up to	balance of
	HK\$ million	net proceeds	30 September	net proceeds
			2022	as at
			HK\$ million	30 September
				2022
			HK\$ million	HK\$ million
Working capital of the Group	19.51	66.1%	15.42	4.09
Potential investment	10.00	33.9%	–	10.00
	<u>29.51</u>	<u>100.0%</u>	<u>15.42</u>	<u>14.09</u>

The Group intends to use the remaining proceeds of approximately HK\$4.09 million by 31 March 2023 for working capital purpose.

The remaining balance of net proceeds for the use of potential investment is expected to be utilised by June 2023.

CAPITAL STRUCTURE

Total equity attributable to owners of the Company decreased from approximately HK\$1,645,363,000 as at 31 March 2022 to approximately HK\$1,569,984,000 as at 30 September 2022. The decrease arose from loss attributable to owners of the Company.

On 29 July 2022, a total of 1,000,000,000 new shares of the Company had been successfully placed by the placing agent to not less than six places at the placing price of HK\$0.03 per placing share under the general mandate granted to the Directors by ordinary resolution passed at the annual general meeting of the Company held on 17 August 2021. Upon the completion of the aforesaid placing of new shares, the total number of issued shares of the Company increased from 7,611,690,000 shares to 8,611,690,000 shares. Details of the placing of shares were set out in the announcements of the Company dated 5 July 2022 and 29 July 2022.

On 1 September 2022, the Board proposed that every ten (10) shares in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share (the “Share Consolidation”). The Share Consolidation was approved by the shareholders at the special general meeting of the Company held on 12 October 2022 and the same became effective on 14 October 2022.

Save as disclosed above, 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 2022, the Group had total assets of approximately HK\$1,965,413,000 (as at 31 March 2022: approximately HK\$1,911,672,000) which was financed by current liabilities of approximately HK\$152,158,000 (as at 31 March 2022: approximately HK\$163,001,000), non-controlling interests of approximately HK\$86,948,000 (as at 31 March 2022: approximately HK\$87,810,000) and the shareholder’s equity of approximately HK\$1,569,984,000 (as at 31 March 2022: approximately HK\$1,645,363,000).

As at 30 September 2022, the Group's current ratio was approximately 2.02 (as at 31 March 2022: approximately 5.63). Current ratio is calculated based on current assets divided by current liabilities.

As at 30 September 2022, the gearing ratio of the Group was approximately 0.006 (as at 31 March 2022: approximately 0.006). Gearing ratio is calculated based on total borrowings divided by total equity.

MATERIAL ACQUISITIONS OR DISPOSALS

Acquisition

On 31 January 2022, 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, Shun Jie International Holdings Company Limited at a consideration of RMB376,000,000. Its indirect wholly-owned subsidiary, Suzhou Menglian Nanting Cultural Development Company Limited* (蘇州蒙戀南庭文化發展有限公司) holds, inter alia, several buildings located at 6 Waiwujingnong, Suzhou, Jiangsu, the PRC* (中國江蘇省蘇州市外五涇弄6號), which are currently leased to tenants for rental income. The acquisition was completed on 27 May 2022. The acquisition constituted a major transaction under the Listing Rules. Details of the acquisition are set out in the announcements of the Company dated 31 January 2022 and 27 May 2022, and the circular of the Company dated 28 March 2022.

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

Save as disclosed in note 28 to the interim financial statements, the Board is not aware of any significant events that have occurred subsequent to 30 September 2022 and up to the date of this announcement which require disclosure herein.

* *For identification purposes only*

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.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 49 (as at 30 September 2021: 34) employees in Hong Kong and the PRC as at 30 September 2022. The total staff costs (staff salaries, directors' emoluments and other staff costs) for the Reporting Period amounted to approximately HK\$4,715,000 (six months ended 30 September 2021: HK\$3,431,000). 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 subsidizes employees in various training and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 26 to the interim financial statements, the Group did not have any capital commitments and contingent liabilities as at 30 September 2022.

FINANCIAL GUARANTEE CONTRACTS

Save as disclosed in note 25 to the interim financial statements, the Group did not have any financial guarantee contracts as at 30 September 2022.

CHARGES ON GROUP ASSETS

The Group did not have any charges over its assets as at 30 September 2022.

AMENDMENTS TO THE BYE-LAWS

In order to comply with the core standards for shareholder protections as set out in Appendix 3 of the Listing Rules, the Company has adopted the amended and restated bye-laws at the annual general meeting held on 28 September 2022.

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 Properties

Asiaciti Investment Limited (“Asiaciti”)(as purchaser), an indirect wholly-owned subsidiary of the Company, entered into sale and purchase agreement on 12 October 2017 (the “Sale and Purchase Agreement”) with 遼寧京豐置業有限公司(as vendor), 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 claims 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 assume 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.

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 the sum of RMB584,778,676.47 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.

On 26 August 2021 and 1 September 2021, Asiaciti and Mr. Li entered into the second and third further supplemental agreements respectively (together the “Amended Second Further Supplemental Agreement”), pursuant to which, Mr. Li agreed to repay Asiaciti the remaining outstanding amount of RMB559,538,859.19 (the “Outstanding Sum”) together with the interest to be accrued on the Outstanding Sum at an interest rate of 10% per annum on or before 2 July 2022.

On 19 August 2022, Asiaciti and Mr. Li entered into the fourth further supplemental agreement (the “Fourth Further Supplemental Agreement”), pursuant to which, Mr. Li agreed to repay Asiaciti the outstanding interest of RMB88,588,337.26 together with the interest to be accrued thereon at an interest rate of 8% per annum on or before 2 July 2023.

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, 7 July 2020, 7 July 2021, 1 September 2021, 28 October 2021 and 19 August 2022, and the circulars of the Company dated 22 January 2018, 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively.

As at 30 September 2022, the Group has received from Mr. Li the entire Refund Amount, the monetary compensation and part of the accrued interests in the aggregate sum of RMB624,061,334.11.

The Supplemental Agreement, the Further Supplemental Agreement, the Amended Second Further Supplemental Agreement and the Fourth Further Supplemental Agreement constituted connected transactions under Chapter 14A of the Listing Rules. The Supplemental Agreement, the Further Supplemental Agreement, Amended Second Further Supplemental Agreement and the Fourth Further Supplemental Agreement were approved by the independent shareholders at the special general meetings of the Company held on 3 March 2020, 15 September 2020, 18 November 2021 and 20 October 2022 respectively.

Save as disclosed above, the Board is not aware of any related party transactions during the Reporting Period, which constituted a non-exempt connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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:

Code Provision C.1.8

Under Code provision C.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 and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.

Code Provision C.1.6

Under Code provision C.1.6, 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 other business commitment, one Independent Non-executive Director was unable to attend the special general meeting of the Company held on 21 April 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Zhu Xueyi, Mr. Ba Junyu and Mr. Wong Chung Man. Its primary duties are to, inter alia, review and oversee 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 reports and interim reports.

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 interim financial statements for the six months ended 30 September 2022 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and adequate disclosures have been made in respect thereof.

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

Hong Kong, 28 November 2022

As at the date of this announcement, the Board consists of four executive directors, Mr. Li Yuguo, Mr. Liu Yan Chee James, Mr. Yu Jiang and Mr. Li Xiaoming; 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.