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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 2021

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 2021 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 2021

	<i>Notes</i>	For the six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	12,297	17,957
Cost of sales		(4,059)	(11,314)
Gross profit		8,238	6,643
Other gains	6	72,322	52,118
Selling and distribution expenses		(731)	(430)
Administrative expenses		(11,043)	(15,102)
Share of results of associates		(6,921)	(3,330)
Gain on bargain purchase	22	–	1,856
Finance costs	7	(511)	(357)
Profit before taxation	8	61,354	41,398
Taxation	9	(609)	(36)
Profit for the period		60,745	41,362

* For identification purposes only

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

For the six months ended 30 September 2021

	For the six months ended	
	30 September	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	13,727	37,351
Share of other comprehensive income of associates	(2)	36
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	13,725	37,387
	<hr/>	<hr/>
Total comprehensive income for the period	74,470	78,749
	<hr/>	<hr/>
Profit/(loss) attributable to:		
– Owners of the Company	61,179	41,433
– Non-controlling interests	(434)	(71)
	<hr/>	<hr/>
	60,745	41,362
	<hr/>	<hr/>
Total comprehensive income attributable to:		
– Owners of the Company	74,825	78,600
– Non-controlling interests	(355)	149
	<hr/>	<hr/>
	74,470	78,749
	<hr/>	<hr/>
	<i>HK\$</i>	<i>HK\$</i>
Earnings per share attributable to owners of the Company:		
– Basic and diluted	<i>10</i> 0.008	0.005
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	12	134,444	132,516
Property, plant and equipment	13	40,834	33,237
Right-of-use assets		2,767	1,060
Intangible assets	14	337,782	337,681
Interests in associates	15	183,903	190,826
Deposits paid	19	540,142	532,397
		<u>1,239,872</u>	<u>1,227,717</u>
Current assets			
Properties under development	16	240,079	236,636
Completed properties held for sale	17	86,535	89,053
Trade receivables	18	4,217	2,851
Prepayments, deposits and other receivables	19	749,687	691,853
Amount due from an associate	15	3,030	2,866
Financial assets at fair value through profit or loss		2,599	2,866
Restricted bank deposits		345	2,702
Bank balances and cash		21,385	19,034
		<u>1,107,877</u>	<u>1,047,861</u>
Current liabilities			
Trade payables	20	61,081	60,597
Other payables and accruals		55,899	60,827
Contract liabilities		41,695	41,184
Lease liabilities		1,635	713
Tax payables		1,210	1,893
		<u>161,520</u>	<u>165,214</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 September 2021*

		At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Net current assets		<u>946,357</u>	<u>882,647</u>
Total assets less current liabilities		<u>2,186,229</u>	<u>2,110,364</u>
Capital and reserves			
Share capital	<i>21</i>	<u>76,117</u>	76,117
Reserves		<u>1,973,286</u>	<u>1,898,461</u>
Total equity attributable to owners of the Company		<u>2,049,403</u>	1,974,578
Non-controlling interests		<u>101,711</u>	<u>102,066</u>
		<u>2,151,114</u>	<u>2,076,644</u>
Non-current liabilities			
Deferred tax liabilities		<u>33,980</u>	33,493
Lease liabilities		<u>1,135</u>	<u>227</u>
		<u>35,115</u>	<u>33,720</u>
		<u>2,186,229</u>	<u>2,110,364</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 sales, investment operations and tradings of bottle water in the People’s Republic of China (the “PRC”).

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

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial statements were approved for issue on 24 November 2021. 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 2021, except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 April 2020.

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021

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 received by the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment.

The Group has the following operating segments during the period. These segments are managed separately.

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

4. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 September

	Water business		Property development and investment		Consolidation	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Sales to external customers	<u>-</u>	<u>1</u>	<u>12,297</u>	<u>17,956</u>	<u>12,297</u>	<u>17,957</u>
Total revenue	<u>-</u>	<u>1</u>	<u>12,297</u>	<u>17,956</u>	<u>12,297</u>	<u>17,957</u>
Segment results	24,811	(2,328)	49,405	57,565	74,216	55,237
Fair value losses on financial assets at fair value through profit or loss					(267)	(371)
Central administration costs					(5,163)	(11,637)
Gain on bargain purchase					-	1,856
Share of results of associates					(6,921)	(3,330)
Finance costs					<u>(511)</u>	<u>(357)</u>
Profit before taxation					<u>61,354</u>	<u>41,398</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 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
ASSETS						
Segment assets	395,487	371,549	1,642,797	1,588,394	2,038,284	1,959,943
Unallocated corporate assets					309,465	315,635
					<u>2,347,749</u>	<u>2,275,578</u>
LIABILITIES						
Segment liabilities	(23,695)	(3,268)	(168,695)	(170,286)	(192,390)	(173,554)
Unallocated corporate liabilities					(4,245)	(25,380)
					<u>(196,635)</u>	<u>(198,934)</u>

5. REVENUE

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from contracts with customers		
Sales of properties	3,998	13,255
Sales of bottled water	—	1
	<u>3,998</u>	<u>13,256</u>
Rental income from leases	<u>8,299</u>	<u>4,701</u>
Total Revenue	<u>12,297</u>	<u>17,957</u>

6. OTHER GAINS

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	36,713	29,378
Interest income on bank deposit	32	80
Interest income from an associate	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	27	–
Exchange gain, net	8,996	22,601
Sundry	95	59
	<u>72,322</u>	<u>52,118</u>

7. FINANCE COSTS

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on lease liabilities	82	100
Interest on other payables	429	257
	<u>511</u>	<u>357</u>

8. PROFIT BEFORE TAXATION

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The Group's profit before taxation is arrived at after charging:		
Amortisation of land use right	109	100
Depreciation of right-to-use assets	1,015	1,371
Depreciation of property, plant and equipment	1,666	1,331
Staff costs (including directors' remuneration)	3,431	4,556
Lease payment not include in the measurement of lease liabilities	49	261
Fair value loss on financial assets at fair value through profit or loss	267	371
	<u>267</u>	<u>371</u>

9. TAXATION

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
– PRC Enterprise Income Tax	609	57
Over-provision in prior years	–	(21)
	<u>609</u>	<u>36</u>
Charge for the period	<u>609</u>	<u>36</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 2021 and 2020.

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 September 2021 and 2020.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit		
Profit for the period attributable to the owners of the Company	<u>61,179</u>	<u>41,433</u>
	'000 Shares	'000 Shares
	(unaudited)	(unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>7,611,690</u>	<u>7,611,690</u>

The basic and diluted earnings per share are the same for the six months ended 30 September 2021 and 2020, as there are no dilutive potential ordinary shares in existence.

11. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Additions through acquisition of subsidiaries (<i>note 22</i>)	120,830
Fair value changes	2,282
Exchange realignment	<u>9,404</u>
As 31 March 2021 (audited)	132,516
Exchange realignment	<u>1,928</u>
As 30 September 2021 (unaudited)	<u><u>134,444</u></u>

Amount recognised in profit or loss for investment properties

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Rental income from operating leases	4,867	2,901
Direct operating expenses on investment properties that generated rental income	<u>1,597</u>	<u>123</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 the PRC and are held under medium-term leases. Details of the acquisition are set out in note 22.

13. PROPERTY, PLANT AND EQUIPMENT

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

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

For the six months ended 30 September 2021, the rental income from machinery leased under operating leases of the Group was approximately HK\$3,432,000 (six months ended 30 September 2020: approximately HK\$1,800,000).

14. INTANGIBLE ASSETS

	Land use right <i>HK\$'000</i> <i>(Note i)</i>	Water mining licence <i>HK\$'000</i> <i>(Note ii)</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2020 (audited)	9,904	374,132	384,036
Exchange realignment	<u>830</u>	<u>328</u>	<u>1,158</u>
At 31 March 2021 (audited)	10,734	374,460	385,194
Exchange realignment	<u>156</u>	<u>62</u>	<u>218</u>
At 30 September 2021 (unaudited)	<u>10,890</u>	<u>374,522</u>	<u>385,412</u>
Accumulated amortisation and impairment			
At 1 April 2020 (audited)	338	46,932	47,270
Amortisation for the year	207	–	207
Exchange realignment	<u>36</u>	<u>–</u>	<u>36</u>
At 31 March 2021 (audited)	581	46,932	47,513
Amortisation for the period	<u>109</u>	<u>–</u>	<u>109</u>
Exchange realignment	<u>8</u>	<u>–</u>	<u>8</u>
At 30 September 2021 (unaudited)	<u>698</u>	<u>46,932</u>	<u>47,630</u>
Carrying amount			
At 30 September 2021 (unaudited)	<u>10,192</u>	<u>327,590</u>	<u>337,782</u>
At 31 March 2021 (audited)	<u>10,153</u>	<u>327,528</u>	<u>337,681</u>

14. INTANGIBLE ASSETS (CONTINUED)

Notes:

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

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.

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 2021 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.

15. INTERESTS IN ASSOCIATES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
At the beginning of the period/year	190,826	201,076
Share of post-acquisition losses and other comprehensive income during the period/year, net of dividends received	<u>(6,923)</u>	<u>(10,250)</u>
At the end of the period/year	<u>183,903</u>	<u>190,826</u>
	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Amount due from an associate	<u>3,030</u>	<u>2,866</u>

Notes:

- (i) As at 30 September 2021 and 31 March 2021, 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\$3,030,000.
- (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 Company.

* For identification purposes only

15. 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 2021 (unaudited)	At 31 March 2021 (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 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Current assets	30,166	32,980
Non-current assets	104,504	108,423
Current liabilities	191,341	189,734

* For identification purposes only

15. INTERESTS IN ASSOCIATES (CONTINUED)

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	<u>3,195</u>	<u>21,352</u>
Loss for the period	(34,607)	(16,652)
Other comprehensive income	<u>(10)</u>	<u>181</u>
Total comprehensive income	<u>(34,617)</u>	<u>(16,471)</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
	2021	2021
	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	31,443	31,443
Share of post-acquisition losses and other comprehensive income, net of dividends received	<u>(50,989)</u>	<u>(44,066)</u>
Carrying amount of the Group's interests in associates	<u>183,903</u>	<u>190,826</u>

There is no commitment and contingent liabilities under the associates.

16. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Properties under development	338,345	333,493
Less: provision for impairment	<u>(98,266)</u>	<u>(96,857)</u>
	<u>240,079</u>	<u>236,636</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 2021, the carrying amount of the properties under development included land use rights of approximately HK\$124,400,000 (as at 31 March 2021: approximately HK\$122,616,000).

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

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>240,079</u>	<u>236,636</u>

* For identification purposes only

17. COMPLETED PROPERTIES HELD FOR SALE

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Completed properties held for sale	140,903	144,717
Less: Provision for impairment	<u>(54,368)</u>	<u>(55,664)</u>
	<u>86,535</u>	<u>89,053</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.

18. TRADE RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	<u>4,217</u>	<u>2,851</u>

* For identification purposes only

18. TRADE RECEIVABLES (CONTINUED)

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 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 to 180 days	1,805	2,851
181 to 365 days	2,412	–
	<u>4,217</u>	<u>2,851</u>

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Non-current assets:		
Deposits for acquisition of investment properties, net (<i>notes i</i>)	<u>540,142</u>	<u>532,397</u>
Current assets:		
Deposits paid, net (<i>note ii</i>)	569,407	566,942
Prepayments (<i>note iii</i>)	1,605	1,730
Amount due from minority shareholder (<i>note iv</i>)	23,338	–
Amount due from the substantial shareholder (<i>note v</i>)	109,521	71,888
Other receivables (<i>note vi</i>)	<u>45,816</u>	<u>51,293</u>
	<u>749,687</u>	<u>691,853</u>

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) Properties in Yantian

As at 30 September 2021, deposits paid of approximately HK\$300,098,000 (as at 31 March 2021: approximately HK\$295,795,000) were related to three acquisitions of properties in Yantian where the physical possession of the properties has been delivered to the Group. According to the supplemental agreement disclosed in the announcement dated 3 May 2018, the titles of the three properties should be transferred to the Group before 30 December 2018. Nevertheless, according to the announcement dated 19 June 2019, the vendor has still not registered the title of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificate remained pending. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the matter of ownership certificate. 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 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.

Properties in Beijing

As at 30 September 2021, deposit paid of approximately HK\$218,472,000, net of provision for impairment of approximately HK\$21,607,000 (as at 31 March 2021: approximately HK\$215,339,000, net of provision for impairment of approximately HK\$21,297,000) 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 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 30 September 2021, deposit paid of approximately HK\$21,572,000 (as at 31 March 2021: approximately HK\$21,263,000) was related to the naming right and advertisement board of the properties located in Yantian.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (ii) As at 30 September 2021, deposits paid were mainly relating to acquisition of properties in Zengcheng and acquisition of properties in Shenyang (“Shenyang Properties”).

Properties in Zengcheng

The acquisition of properties in Zengcheng was terminated on 18 January 2017 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 chasing the vendor for the repayment. Based on the Group’s historical credit loss experience, the Group recognised a loss allowance for expected credit loss on the deposits paid. As at 30 September 2021, approximately HK\$74,424,000 (as at 31 March 2021: approximately HK\$73,357,000) of the deposit paid was fully impaired.

Shenyang Properties

As at 30 September 2021, deposits paid of approximately HK\$568,770,000 (as at 31 March 2021: approximately HK\$566,306,000) was related to acquisition of Shenyang Properties. Details of the acquisition of Shenyang Properties are set out in the announcement and the circular of the Company dated 12 October 2017 and 22 January 2018 respectively.

On 24 April 2019, a termination agreement was entered into between the vendor and the Group to terminate the sale and purchase agreement in relation to the acquisition of Shenyang Properties. The vendor shall refund the total amount of deposits of RMB562,500,000 (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 agreed to take up the responsibilities to repay the Refund Amount and the related compensation and interests to the Group, and provide his personal assets as securities. The Group agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. Details of which are set out in the announcements of the Company dated 1 November 2019, 22 January 2020 and 27 February 2020 and the circular of the Company dated 6 February 2020.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

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 in the following manner: (a) 10% of the outstanding amount shall be repaid on or before 2 January 2021; and (b) 90% of the outstanding amount together with the interest to be accrued on the outstanding amount 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.

On 26 August 2021 and 1 September 2021, the Group and Mr. Li entered into the second further supplemental agreement and the third further supplemental agreement respectively (together the “Amended Second Further Supplemental Agreement”), pursuant to which, Mr. Li agreed to repay the Group the remaining outstanding amount in the sum 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. Detail are set out in the announcement of the Company dated 1 September 2021 and the circular dated 1 November 2021 respectively.

Up to the date of this announcement, the Group has received partial repayment of the deposit paid and the interest receivable in sum of approximately RMB103,756,000 from Mr. Li.

- (iii) As at 30 September 2021 and 31 March 2021, prepayments mainly comprised prepayment of indirect cost incurred for properties under development.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (iv) On 27 August 2021, Mr. Lam Chun Ho, the former minority shareholder of Good Union (China) Limited (“Good Union”) disposed of his 33% shareholding in Good Union to an independent third party. The Company continues to hold 67% of all issued shares 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 (details of the production volume guarantee were disclosed in the announcement of the Company dated 23 May 2017) of approximately HK\$26.3 million 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\$3,000,000 from the new minority shareholder.

- (v) As at 30 September 2021 and 31 March 2021, 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.
- (vi) As at 30 September 2021 and 31 March 2021, other receivables mainly comprised other taxes prepaid in the PRC and advance payments for business related matters.

20. TRADE PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	<u>61,081</u>	<u>60,597</u>

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

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 to 180 days	6,960	7,832
181 to 365 days	716	37
Over 365 days	<u>53,405</u>	<u>52,728</u>
	<u>61,081</u>	<u>60,597</u>

21. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020 (audited), 31 March 2021 (audited), 1 April 2021 (audited) and 30 September 2021 (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 2020 (audited), 31 March 2021 (audited), 1 April 2021 (audited) and 30 September 2021 (unaudited)	<u>7,611,690,000</u>	<u>76,117</u>

22. ACQUISITION OF SUBSIDIARIES

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

During the six months ended 30 September 2020, the Group acquired 100% of the issued share capital of, and the shareholder’s loan 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/> <u>(1,856)</u>
			<hr/>
Total consideration			<hr/> <u>109,845</u>
			<hr/> <i>HK\$’000</i>
Net cash outflow from the acquisition			
Cash consideration paid			109,845
Bank balances and cash acquired			<hr/> <u>(3,064)</u>
			<hr/> <u>106,781</u>

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

23. FINANCIAL GUARANTEE LIABILITIES

At 30 September 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 (as at 31 March 2021: 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.

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 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.

23. FINANCIAL GUARANTEE LIABILITIES (CONTINUED)

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.

24. CAPITAL COMMITMENTS

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

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Contracted but not provided for:		
Acquisition of investment properties	46,258	45,879
Property development expenditure	109,463	107,893
Construction in-progress for water exploitation activities in Hunan	20,075	800
	<u>175,796</u>	<u>154,572</u>

25. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed elsewhere in the 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 19(v), interest income relating to termination of acquisition of Shenyang Properties for the six months ended 30 September 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:

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	<u>36,713</u>	<u>29,378</u>

(b) Transaction relating a minority shareholder

As disclosed in note 19(iv), during the six months ended 30 September 2021 and 2020, 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, which were receivable from the minority shareholder of the Company, are recognised as follows:

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Compensation relating to failure to fulfil production volume guarantee by the minority shareholder	<u>26,338</u>	<u>–</u>

25. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Remuneration of key management personnel

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

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Short-term benefits	1,112	1,568
Retirement benefits scheme	9	53
	<u>1,121</u>	<u>1,621</u>

26. SUBSEQUENT EVENTS

On 26 August 2021 and 1 September 2021, Asiaciti Investment Limited (“Asiaciti”), an indirect wholly-owned subsidiary of the Company and Mr. Li Yuguo (“Mr. Li”), a substantial shareholder, the Chairman and an Executive Director of the Company entered into the second and third further supplemental agreement 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.

The Amended Second Further Supplemental Agreement were approved by the independent shareholders at the special general meetings of the Company held on 18 November 2021.

27. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 24 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2021 (the “Reporting Period”), the revenue of Asia Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approximately HK\$12,297,000, of which revenue from sales of properties and rental income were approximately HK\$3,998,000 and HK\$8,299,000 respectively (six months ended 30 September 2020: approximately HK\$17,957,000, of which revenue from sales of properties and rental income were approximately HK\$13,255,000 and HK\$4,701,000 respectively). The decrease was mainly because (i) most of the saleable area of the completed properties held for sale in Dalian, the People’s Republic of China (the “PRC”) had been handed over to buyers and the corresponding revenue was recognised in previous financial years and as a result the remaining saleable area decreased; and (ii) the sales and handover of the remaining completed properties held for sale were slowed down during the Reporting Period due to the ongoing impacts of the COVID-19 pandemic in Dalian.

Cost of Sales

For the Reporting Period, cost of sales of the Group was approximately HK\$4,059,000 (six months ended 30 September 2020: approximately HK\$11,314,000). The cost of sales for the Reporting Period represented the cost of properties sold and its decrease was in line with the decrease in revenue from sales of properties.

Gross Profit

For the Reporting Period, the Group recorded a gross profit of approximately HK\$8,238,000 (six months ended 30 September 2020: approximately HK\$6,643,000). The gross profit was mainly attributable to rental income from the investment properties in Zhejiang.

Other Gains

For the Reporting Period, the Group recorded other gains of approximately HK\$72,322,000 (six months ended 30 September 2020: approximately HK\$52,118,000). The increase was mainly due to the increase in interest income relating to the termination of acquisition of properties located in Shenyang, the PRC (the “Shenyang Properties”) (details of which are set out in note 19(v) to the interim financial statements) and the compensation receivable from the minority shareholder of a non wholly-owned subsidiary of the Group relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan (details of which are set out in note 19(iv) to the interim financial statements).

Selling and Distribution Expenses

For the Reporting Period, selling and distribution expenses were approximately HK\$731,000 (six months ended 30 September 2020: approximately HK\$430,000). The increase was due to higher 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\$11,043,000 (six months ended 30 September 2020: approximately HK\$15,102,000). The decrease was mainly due to decrease in staff costs as a result of the decrease in average number of staff during the Reporting Period, decrease in legal and professional fees due to absence of material acquisition or transaction during the Reporting Period, and decrease in other operating expenses.

Share of Results of Associates

For the Reporting Period, share of losses of associates was approximately HK\$6,921,000 (six months ended 30 September 2020: approximately HK\$3,330,000). The increase in losses was because the revenue of the associates was adversely affected by the COVID-19 pandemic.

Profit for the Period

For the Reporting Period, the Group recorded a profit for the period of approximately HK\$60,745,000 (six months ended 30 September 2020: approximately HK\$41,362,000). The increase in profit for the period was mainly due to (i) the increase in rental income from the property leasing business of the Group in Zhejiang, the PRC; (ii) the increase in other gains as stated above; and (iii) the decrease in administrative expenses as stated above.

BUSINESS REVIEW

The Group continuously focuses its effort 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 depending on the number of infection cases. 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 profit from water business segment of approximately HK\$24,811,000 for the Reporting Period (six months ended 30 September 2020: loss of approximately HK\$2,328,000). The change from loss to profit from water business segment was mainly due to the compensation relating to failure to fulfil the production volume guarantee by the minority shareholder of a non wholly-owned subsidiary of the Group and the decrease in operating expenses in this segment.

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\$6,921,000 (six months ended 30 September 2020: approximately HK\$3,330,000), which were mainly caused by the depreciation of property, plant and equipment and amortization of water procurement permit. The increase in losses was because the revenue of the associates was adversely affected by the COVID-19 pandemic.

Water Mining

The Group holds 67% equity interests in Good Union (China) Limited (“Good Union”) which has a wholly-owned subsidiary in Hunan. It possesses a water mining licence for exploitation of mineral water in Hunan. Due to the outbreak of COVID-19 pandemic since January 2020, the construction works of the production facilities were suspended and delayed. The construction works were resumed in the first half of 2021 and are expected to be completed in mid-2022. The production is expected to commence in the second half of 2022.

On 27 August 2021, Mr. Lam Chun Ho, the former minority shareholder of Good Union, disposed of his 33% shareholding in Good Union to an independent third party. The Company continues to hold 67% of all issued shares 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 (details of the production volume guarantee were disclosed in the announcement of the Company dated 23 May 2017) of approximately HK\$26.3 million was mutually agreed between the new minority shareholder and the Group and recognised as other gains for the Reporting Period.

Up to the date of this announcement, the Group has received partial compensation of HK\$3,000,000 from the new minority shareholder.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT BUSINESS

The Group recorded a profit from property development and investment segment of approximately HK\$49,405,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$57,565,000). The decrease in profit was mainly due to:

- (i) decrease in revenue from sales of properties in Dalian; and
- (ii) decrease in the currency exchange gains on the monetary assets and liabilities denominated in Renminbi resulting from the appreciation of Renminbi for the Reporting Period, as compared to that of the corresponding period in 2020.

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”) at Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC*.

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 Reporting Period, approximately 465 square metres of properties were handed over and revenue of approximately HK\$3,998,000 (six months ended 30 September 2020: HK\$13,255,000) was recorded. Up to 30 September 2021, an aggregate of approximately 79% of the total saleable area of Phase I have been handed over to the buyers. As at 30 September 2021, Dalian Chuanghe had sale contracts with contract amount of approximately RMB29,465,000 with gross saleable areas of around 4,100 square metres which would be handed over to buyers in the near future.

* For identification purposes only

For Phase II, there are 34 buildings with aggregate saleable area of approximately 69,000 square metres. The development of Phase II is in preliminary stage. 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 Company expects that the construction of Phase II properties will commence in late 2022 or early 2023.

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 30 September 2021, 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).

* *For identification purposes 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 30 September 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 30 September 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 not yet 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 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.

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 Phase 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 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.

* *For identification purposes only*

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*.

The industrial lands and building are currently leased to tenants for rental income. The Group recorded rental income of approximately HK\$8,299,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$4,701,000).

PROSPECT

Although the Group has faced challenge from COVID-19 pandemic since early 2020, 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.

* *For identification purposes only*

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 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 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 2021, 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 balance of net proceeds
	HK\$' million	% of net proceeds		HK\$' million	% of net proceeds	up to 30 September 2021 HK\$' million	as at 30 September 2021 HK\$' million
Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	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 had therefore 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 and 1 September 2021 respectively, the circular dated 6 February 2020, 24 August 2020 and 1 November 2021 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 2022. The Directors are still assessing the most appropriate time to utilise 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 utilised between November 2021 and mid-2022.

CAPITAL STRUCTURE

Total equity attributable to owners of the Company increased from approximately HK\$1,974,578,000 as at 31 March 2021 to approximately HK\$2,049,403,000 as at 30 September 2021. The increase arose from the total comprehensive income attributable to owners of the Company. There were no other material change in the capital structure of the Group during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had total assets of approximately HK\$2,347,749,000 (as at 31 March 2021: approximately HK\$2,275,578,000) which was financed by current liabilities of approximately HK\$161,520,000 (as at 31 March 2021: approximately HK\$165,214,000), non-controlling interests of approximately HK\$101,711,000 (as at 31 March 2021: approximately HK\$102,066,000) and the shareholder's equity of approximately HK\$2,049,403,000 (as at 31 March 2021: approximately HK\$1,974,578,000).

As at 30 September 2021, the Group's current ratio was approximately 6.86 (as at 31 March 2021: approximately 6.34). Current ratio is calculated based on current assets divided by current liabilities.

As at 30 September 2021, the gearing ratio of the Group was approximately 0.005 (as at 31 March 2021: approximately 0.005). Gearing ratio is calculated based on total borrowings divided by total equity.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group has no material acquisition or disposal during the Reporting Period.

SUBSEQUENT EVENTS

Save as disclosed in note 26 to the interim financial statements, the Board is not aware of any significant events that have occurred subsequent to 30 September 2021 and up to the date of this announcement 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.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 34 employees in Hong Kong and the PRC as at 30 September 2021. The total staff costs (staff salaries, directors' emoluments and other staff costs) for the Reporting Period amounted to approximately HK\$3,431,000 (six months ended 30 September 2020: HK\$4,556,000). Remuneration packages are generally structured according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidies employees in various training and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 24 to the interim financial statements, the Group did not have any capital commitments and contingent liabilities as at 30 September 2021.

FINANCIAL GUARANTEE CONTRACTS

Save as disclosed in note 23 to the interim financial statements, the Group did not have any financial guarantee contracts as at 30 September 2021.

CHARGES ON GROUP ASSETS

The Group did not have any charges over its assets as at 30 September 2021.

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

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

On 24 April 2019, the vendor and Asiaciti entered into a termination agreement (the “Termination Agreement”), pursuant to which, (i) the parties have mutually agreed to terminate the Sale and Purchase Agreement and no parties shall have 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 take up the responsibilities to repay the Refund Amount and the related compensation and interests to Asiaciti. Asiaciti agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. On 22 January 2020 and 27 February 2020, Asiaciti and Mr. Li agreed to extend and further extend the long stop date for the Supplemental Agreement to 29 February 2020 and 15 March 2020 respectively.

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

The Supplemental Agreement, the Further Supplemental Agreement and the Amended Second Further Supplemental Agreement constituted connected transactions under Chapter 14A of the Listing Rules. The Supplemental Agreement, the Further Supplemental Agreement and the Amended Second 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 and 18 November 2021 respectively.

Details of the above transactions were disclosed in the announcements of the Company dated 12 October 2017, 24 April 2019, 1 November 2019, 22 January 2020, 27 February 2020, 29 April 2020, 8 May 2020, 7 July 2020, 7 July 2021 and 1 September 2021 and the circulars of the Company dated 22 January 2018, 6 February 2020, 24 August 2020 and 1 November 2021 respectively.

As at 30 September 2021, the Group has received from Mr. Li a total sum of RMB103,756,369.16.

Save as disclosed above, the Board is not aware of any related party transactions during the year ended 30 September 2021, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 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 and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.

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 other business commitment, one Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 17 August 2021, and one Independent Non-executive Director and one Non-executive Director were unable to attend the special general meeting of the Company held on 18 November 2021.

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 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 report and interim report.

The audit committee of the Company has reviewed with the management the accounting standards and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2021 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, 24 November 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.