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# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 899)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “Board”) of directors (the “Directors”) of Asia Resources Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 March 2022 together with the comparative figures for the previous financial year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Revenue	4	<b>21,200</b>	32,920
Cost of sales		<b>(4,136)</b>	(16,471)
Gross profit		<b>17,064</b>	16,449
Other gains	5	<b>125,692</b>	107,508
Other losses		<b>(49)</b>	(41)
Selling and distribution expenses		<b>(3,001)</b>	(2,641)
Administrative expenses		<b>(26,777)</b>	(26,277)
Share of results of associates		<b>(14,366)</b>	(10,195)
Provision for impairment loss on intangible assets	11	<b>(40,504)</b>	–
(Provision for)/reversal of impairment loss on deposits paid		<b>(150,795)</b>	4,313
Provision for impairment loss on properties under development	13	<b>(242,539)</b>	–
(Provision for)/reversal of impairment loss on completed properties held for sale	14	<b>(10,604)</b>	856
Provision for impairment loss on interests in associates	12	<b>(29,395)</b>	–
Provision for impairment loss on other receivables		<b>(1,952)</b>	–
(Loss)/gain from changes in fair value of investment properties	10	<b>(37,074)</b>	2,282
Gain on bargain purchase	19	–	1,856
Reversal of provision for land value added tax		<b>20,188</b>	–
Finance costs		<b>(1,052)</b>	(1,261)

\* *For identification purpose only*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(Loss)/profit before taxation</b>	6	<b>(395,164)</b>	92,849
Taxation	7	<b>19,032</b>	(2,155)
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>		<b>(376,132)</b>	90,694
		<hr/>	<hr/>
<b>Other comprehensive income, net of tax</b>			
Share of other comprehensive income of associates		(65)	(55)
Exchange differences on translating foreign operations		<b>32,726</b>	72,288
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		<b>32,661</b>	72,233
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>(343,471)</b>	162,927
		<hr/>	<hr/>
(Loss)/profit attributable to:			
Owners of the Company	8	<b>(361,642)</b>	91,264
Non-controlling interest		<b>(14,490)</b>	(570)
		<hr/>	<hr/>
		<b>(376,132)</b>	90,694
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owners of the Company		<b>(329,215)</b>	163,050
Non-controlling interest		<b>(14,256)</b>	(123)
		<hr/>	<hr/>
		<b>(343,471)</b>	162,927
		<hr/>	<hr/>
		<i>HK\$</i>	<i>HK\$</i>
		<hr/>	<hr/>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
– Basic and diluted	8	<b>(0.048)</b>	0.012
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Non-current assets</b>			
Investment properties	<i>10</i>	<b>105,301</b>	132,516
Property, plant and equipment		<b>40,119</b>	33,237
Right-of-use assets		<b>1,913</b>	1,060
Intangible assets	<i>11</i>	<b>297,560</b>	337,681
Interests in associates	<i>12</i>	<b>147,000</b>	190,826
Deposits paid	<i>16</i>	<b>401,504</b>	532,397
		<b>993,397</b>	1,227,717
<b>Current assets</b>			
Properties under development	<i>13</i>	–	236,636
Completed properties held for sale	<i>14</i>	<b>77,950</b>	89,053
Trade receivables	<i>15</i>	<b>6,434</b>	2,851
Prepayments, deposits and other receivables	<i>16</i>	<b>786,064</b>	691,853
Amount due from an associate	<i>12</i>	<b>3,236</b>	2,866
Amount due from non-controlling interests		<b>23,973</b>	–
Financial assets at fair value through profit or loss		<b>2,036</b>	2,866
Restricted bank deposits		<b>350</b>	2,702
Bank balances and cash		<b>18,232</b>	19,034
		<b>918,275</b>	1,047,861
<b>Current liabilities</b>			
Trade payables	<i>17</i>	<b>62,631</b>	60,597
Other payables and accruals	<i>18</i>	<b>53,527</b>	60,827
Contract liabilities		<b>44,766</b>	41,184
Lease liabilities		<b>1,543</b>	713
Tax payable		<b>534</b>	1,893
		<b>163,001</b>	165,214
<b>Net current assets</b>		<b>755,274</b>	882,647
<b>Total assets less current liabilities</b>		<b>1,748,671</b>	2,110,364

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	76,117	76,117
Reserves	<u>1,569,246</u>	<u>1,898,461</u>
<b>Total equity attributable to owners of the Company</b>	<b>1,645,363</b>	1,974,578
<b>Non-controlling interest</b>	<b>87,810</b>	102,066
	<u>1,733,173</u>	<u>2,076,644</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	15,146	33,493
Lease liabilities	<u>352</u>	<u>227</u>
	<u>15,498</u>	<u>33,720</u>
	<u>1,748,671</u>	<u>2,110,364</u>

*Notes:*

**1. BASIS OF PREPARATION**

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

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

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

The following new and amended standards that may be relevant to the Group’s operations have been adopted by the Group for the first time for the financial period beginning on 1 April 2021.

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19 related Rent Concessions
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 30 June 2021

The application of the above amended standards which are effective for the financial period beginning on 1 April 2021 did not have material financial effect to the Group for the current and prior periods.

**(b) Issued but not yet effective HKFRSs**

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial year ended 31 March 2022:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>1</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
HKFRS 3 (Amendments)	Reference to Conceptual Framework <sup>1</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRS Standards 2018–2020 <sup>1</sup>
HKFRS 17	Insurance Contracts and related amendments <sup>2</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies <sup>2</sup>
HKAS 8 (Amendments)	Definition of Accounting Estimates <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a single Transaction <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Applied when an entity applies “Classification of Liabilities as Current or Non-Current – Amendments to HKAS 1”

The directors do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and 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 year. These segments are managed separately.

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

#### Segment revenue and results

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

#### For the year ended 31 March

	Water business		Property development and investment		Consolidation	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Sales to external customers	–	1	21,200	32,919	21,200	32,920
Total revenue	–	1	21,200	32,919	21,200	32,920
Segment results	(17,420)	(5,275)	(317,435)	124,476	(334,855)	119,201
Fair value (loss)/gain on financial assets at fair value through profit or loss					(830)	11
Provision for impairment loss on interests in associates					(29,395)	–
Central administration costs					(14,666)	(16,763)
Gain on bargain purchase					–	1,856
Share of results of associates					(14,366)	(10,195)
Finance costs					(1,052)	(1,261)
(Loss)/profit before taxation					(395,164)	92,849

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

## Segment assets and liabilities

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

	Water business		Property development and investment		Consolidation	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>						
Segment assets	362,305	371,549	1,278,868	1,588,394	1,641,173	1,959,943
Unallocated corporate assets					<u>270,499</u>	<u>315,635</u>
					<u><b>1,911,672</b></u>	<u><b>2,275,578</b></u>
<b>LIABILITIES</b>						
Segment liabilities	(31,772)	(3,268)	(134,012)	(170,286)	(165,784)	(173,554)
Unallocated corporate liabilities					<u>(12,715)</u>	<u>(25,380)</u>
					<u><b>(178,499)</b></u>	<u><b>(198,934)</b></u>

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

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

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

## Other segment information

	Water business		Property development and investment		Unallocated		Consolidation	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Additions to property, plant and equipment	9,963	–	711	16,444	4	–	10,678	16,444
Depreciation	(44)	(39)	(2,662)	(2,291)	(2,120)	(3,039)	(4,826)	(5,369)
Other gains	26,544	16	98,888	108,452	260	(960)	125,692	107,508
Other losses	–	–	(49)	(41)	–	–	(49)	(41)
Provision for impairment loss on intangible assets	(40,504)	–	–	–	–	–	(40,504)	–
(Provision for)/reversal of impairment loss on deposits paid	–	–	(150,795)	4,313	–	–	(150,795)	4,313
Provision for impairment loss on properties under development	–	–	(242,539)	–	–	–	(242,539)	–
(Provision for)/reversal of impairment loss on completed properties held for sale	–	–	(10,604)	856	–	–	(10,604)	856
Provision for impairment loss on other receivables	–	–	(1,952)	–	–	–	(1,952)	–
Reversal of provision for land value added tax	–	–	20,188	–	–	–	20,188	–
(Loss)/gain from changes in fair value of investment properties	–	–	(37,074)	2,282	–	–	(37,074)	2,282

## Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
The PRC	21,200	32,920	991,610	1,226,937
Hong Kong	–	–	1,787	780
	<u>21,200</u>	<u>32,920</u>	<u>993,397</u>	<u>1,227,717</u>

## Information about major customers

Other than two tenants from whom the lease income represents 47% and 20% of the total revenue of the Group respectively, and one customer from sales of properties represents 10% of the total revenue of the Group, there is no other single customer who contributes over 10% of the total revenue of the Group for the year ended 31 March 2022.

Other than two tenants from whom the lease income represents 24% and 10% of the total revenue of the Group respectively, there is no other single customer who contributes over 10% of the total revenue of the Group for the year ended 31 March 2021.

#### 4. REVENUE

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

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>	<i>(i)</i>		
Sales of properties		<b>4,709</b>	19,399
Sales of bottled water		<u>–</u>	<u>1</u>
		<b>4,709</b>	19,400
<b>Revenue from leases</b>	<i>(ii)</i>	<u><b>16,491</b></u>	<u>13,520</u>
<b>Total revenue</b>		<u><b>21,200</b></u>	<u>32,920</u>

*Notes:*

*(i) Performance obligations*

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

*Sales of properties*

The performance obligation is satisfied upon handover of the properties. There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022.

*Sales of bottled water*

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

*(ii) Leases*

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed	<u><b>16,491</b></u>	<u>13,520</u>

## 5. OTHER GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	62	113
Interest income from an associate	245	234
Exchange gain, net	27,971	48,058
Government grant	132	23
Dividend income from financial assets at fair value through profit or loss	27	52
Sundry	14	71
Compensation relating to failure to fulfil production volume guarantee by the minority shareholder	26,338	–
Interest income relating to termination of acquisition of Shenyang Properties	70,903	58,957
	<u>125,692</u>	<u>107,508</u>

## 6. (LOSS)/PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>The Group's (loss)/profit before taxation is arrived at after charging/(crediting):</b>		
Directors' emoluments	2,366	3,184
Other staff costs	5,176	6,002
Other staff's retirement benefits scheme contributions	124	296
	<u>7,666</u>	<u>9,482</u>
Total staff costs		
Auditors' remuneration		
– audit services	960	960
– non-audit services	955	243
	<u>1,915</u>	<u>1,203</u>
Depreciation of property, plant and equipment	2,948	2,790
Depreciation of right-of-use assets	1,878	2,579
Amortisation of land use right	220	207
Lease payment not included in the measurement of lease liabilities	185	357
Fair value loss/(gain) on financial assets at fair value through profit or loss	830	(11)

## 7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current tax:</b>		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	<u>399</u>	<u>1,606</u>
Total current tax expenses	399	1,606
<b>Over-provision in prior years:</b>		
– Hong Kong Profits Tax	–	(21)
<b>Deferred income tax:</b>		
– (Decrease)/increase in deferred tax liabilities	<u>(19,431)</u>	<u>570</u>
Income tax (credit)/expenses for the year	<u><b>(19,032)</b></u>	<u><b>2,155</b></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 March 2022.

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% (2021: 25%) for the year ended 31 March 2022.

Deferred tax assets have not been recognised in respect of tax losses amounting to approximately RMB34,909,000 as at 31 March 2022 (2021: RMB41,287,000) that will expire within 5 years for offsetting against future taxable profits. The tax losses of approximately HK\$115,101,000 as at 31 March 2022 (2021: HK\$119,056,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before taxation	<u>(395,164)</u>	<u>92,849</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	(65,202)	15,320
Tax effect of share of result of associates	2,370	1,682
Tax effect of expenses not deductible for tax purposes	87,391	937
Tax effect of income not taxable for tax purposes	(3,863)	(18,118)
Tax effect of tax losses not recognised	2,168	3,373
Unrecognised deferred tax arising from temporary difference	(332)	(1,907)
Utilisation of tax losses previously not recognised	–	(61)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(41,564)	950
Over-provision in prior years	<u>–</u>	<u>(21)</u>
Income tax (credit)/expenses for the year	<u><b>(19,032)</b></u>	<u><b>2,155</b></u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(Loss)/profit</b>		
(Loss)/profit for the year attributable to the owners of the Company	<u>(361,642)</u>	<u>91,264</u>
	2022 <i>'000 Shares</i>	2021 <i>'000 Shares</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share ( <i>Note</i> )	<u>7,611,690</u>	<u>7,611,690</u>

*Note:*

The basic and diluted (loss)/profit per share are the same for the years ended 31 March 2022 and 2021, as there are no dilutive potential ordinary shares in existence.

## 9. DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

## 10. INVESTMENT PROPERTIES

On 24 June 2020, the Group completed the acquisition of investment properties through acquisition of subsidiaries 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 19.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	132,516	–
Additions through acquisition of subsidiaries ( <i>note 19</i> )	–	120,830
Additions	2,487	–
Transfer from construction in progress	2,330	–
Fair value changes	(37,074)	2,282
Exchange realignment	<u>5,042</u>	<u>9,404</u>
At the end of the year	<u>105,301</u>	<u>132,516</u>

### Amount recognised in profit or loss for investment properties

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental income from operating leases	9,531	8,132
Direct operating expenses on investment properties that generated rental income	2,535	691
Unrealised (loss)/profit on property revaluation included in (loss)/gain from changes in fair value of investment properties	<u>(37,074)</u>	<u>2,282</u>

### Contractual obligation

As at 31 March 2022, there is no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

### Leasing arrangements

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	6,165	8,951
In the second to fifth years inclusive	9,248	18,848
Over five years	<u>–</u>	<u>–</u>
	<u>15,413</u>	<u>27,799</u>

### Valuation processes of the Group

The fair value of the Group's investment properties as at 31 March 2022 has been arrived at on the basis of a valuation carried out by the independent qualified professional valuer, AP Appraisal Limited.

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

The management:

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

## Valuation methodology

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

Details of the valuation methodology are as follows:

<b>Non-financial assets</b>	<b>Valuation methodology</b>	<b>Key unobservable inputs to the valuation</b>	<b>Relationship of unobservable inputs to fair value</b>
Leasehold land and factory	Direct comparison approach and made reference to comparable sales transactions available in the market	PRC comparables ranging from RMB1,143 to RMB2,400 per square metre	A significant increase in the adjustment factors used would result in a significant increase in fair value, and vice versa
Leasehold land	Direct comparison approach and made reference to comparable sales transactions available in the market	PRC comparables ranging from RMB210 to RMB321 per square metre	A significant increase in the adjustment factors used would result in a significant increase in fair value, and vice versa

As at 31 March 2022, the fair value measurement of the Group's investment properties is categorised at level 3. During the year ended 31 March 2022, there were no transfers into or out of level 3.

## 11. INTANGIBLE ASSETS

	<b>Land use right (Note i) HK\$'000</b>	<b>Water mining licence (Note ii) HK\$'000</b>	<b>Total HK\$'000</b>
<b>Cost:</b>			
As at 1 April 2020	9,904	374,132	384,036
Exchange realignment	830	328	1,158
	<u>10,734</u>	<u>374,460</u>	<u>385,194</u>
<b>As at 31 March 2021 and 1 April 2021</b>	<b>10,734</b>	<b>374,460</b>	<b>385,194</b>
Exchange realignment	<b>452</b>	<b>179</b>	<b>631</b>
	<u>11,186</u>	<u>374,639</u>	<u>385,825</u>
<b>As at 31 March 2022</b>	<b>11,186</b>	<b>374,639</b>	<b>385,825</b>
<b>Accumulated amortisation and impairment:</b>			
As at 1 April 2020	338	46,932	47,270
Amortisation for the year	207	–	207
Exchange realignment	36	–	36
	<u>581</u>	<u>46,932</u>	<u>47,513</u>
<b>As at 31 March 2021 and 1 April 2022</b>	<b>581</b>	<b>46,932</b>	<b>47,513</b>
Amortisation for the year	<b>220</b>	–	<b>220</b>
Impairment loss for the year	–	<b>40,504</b>	<b>40,504</b>
Exchange realignment	<b>28</b>	–	<b>28</b>
	<u>829</u>	<u>87,436</u>	<u>88,265</u>
<b>As at 31 March 2022</b>	<b>829</b>	<b>87,436</b>	<b>88,265</b>
<b>Carrying amount:</b>			
<b>As at 31 March 2022</b>	<b>10,357</b>	<b>287,203</b>	<b>297,560</b>
As at 31 March 2021	<u>10,153</u>	<u>327,528</u>	<u>337,681</u>

Notes:

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

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

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

The water mining license 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. Up to the date of this announcement, 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 license. It is expected that the renewal procedures will be completed in the third quarter of 2022 and the delay in the renewal of water mining license 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 year ended 31 March 2022 as commercial production has not yet commenced during the year.

The Group is required to assess any indication of impairment on the water mining licence at the end of each reporting period. The Group has completed its annual impairment test for the water mining licence. The recoverable amount of the water mining licence was determined based on multi period excess earnings method which uses sum of discounted present value of the projected annual excess earnings. As at 31 March 2022 and 2021, the recoverable amount of the water mining licence referenced to a valuation report issued by AP Appraisal Limited, an independent qualified valuer. This valuation uses cash flow projections based on financial estimates covering a twenty-year period.

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

	2022	2021
Net profit margin (% of revenue)	13.51%–32.12%	19.61%–33.63%
Long term annual growth rate used to extrapolate cash flow	2.00%	2.50%
Pre-tax discount rate	14.00%	13.50%

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

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

The discount rate is before tax and reflects specific risks.

The value assigned to the above assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. The management believes that the assumptions are reasonable and achievable.

\* For identification purpose only

## 12. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	190,826	201,076
Share of post-acquisition losses and other comprehensive income during the year, net of dividends received	(14,431)	(10,250)
Impairment losses for the year	(29,395)	–
	<u>147,000</u>	<u>190,826</u>
	2022 HK\$'000	2021 HK\$'000
Amount due from an associate ( <i>Notes i and ii</i> )	<u>3,236</u>	<u>2,866</u>

### Notes:

- (i) As at 31 March 2022 and 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 year 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 the production and sales of bottled water and is currently in operation in Guangxi. The remaining 80% equity interests is held by Mr. Li Yuguo, the substantial shareholder of the Group.

As at 31 March 2022 and 2021, the Group completed its annual impairment test for interests in associates by comparing the recoverable amount to the carrying amount. The Group engaged AP Appraisal Limited, an independent qualified valuer, to carry out a valuation of the interests in associates as at 31 March 2022 and 2021 based on the value-in-use calculations. This valuation uses cash flow projections based on financial estimates covering a ten-year period.

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

	2022	2021
Gross profit margin (% of revenue)	15.9%–44.1%	38.42%–53.01%
Long term annual growth rate used to extrapolate cash flows	2.00%	2.50%
Pre-tax discount rate	<u>13.00%</u>	<u>12.00%</u>

\* For identification purpose only

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

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

The discount rate is before tax and reflects specific risks.

The value assigned to the above assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. The management believes that the assumptions are reasonable and achievable.

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

Name of associates	Form of business and structure	Place of incorporation/ operation	Class of shares/ registered capital held	Proportion of nominal value of paid capital/registered capital held by the Group		Principal activities
				2022	2021	
Hong Kong Spring Water Ding Dong Group Company Limited	Incorporated	Hong Kong	Ordinary	20%	20%	Investment holding and water business
Guangxi Spring Water Ding Dong Beverages Company Limited*	Incorporated	The PRC	Registered	20%	20%	Production and sales of bottled water

\* For identification purpose only

Summarised financial information in respect of the Group's associates for the year ended 31 March 2022 and 2021 was set out below which represents amounts shown in the respective financial statements of the associates prepared in accordance with HKFRSs. The associates are accounted for using the equity method in the consolidated financial statements.

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	<u>33,407</u>	<u>32,980</u>
Non-current assets	<u>101,905</u>	<u>108,423</u>
Current liabilities	<u>203,245</u>	<u>189,734</u>
Revenue	<u>5,304</u>	<u>25,169</u>
Loss for the year	(71,830)	(50,975)
Other comprehensive income	<u>(327)</u>	<u>(274)</u>
Total comprehensive income	<u>(72,157)</u>	<u>(51,249)</u>

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net liabilities of the associates as at acquisition date	(33,841)	(33,841)
Proportion of the Group's ownership interests in associates	20%	20%
Cost of investments in associates unlisted in Hong Kong	(6,768)	(6,768)
Valuation adjustment from acquisition	210,217	210,217
Goodwill (net of accumulated impairment losses)	2,048	31,443
Share of post-acquisition losses and other comprehensive income, net of dividends received	<u>(58,497)</u>	<u>(44,066)</u>
Carrying amount of the Group's interests in associates	<u>147,000</u>	<u>190,826</u>

There is no commitment and contingent liabilities under the associates.

### 13. PROPERTIES UNDER DEVELOPMENT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties under development	347,544	333,493
Less: provision for impairment	<u>(347,544)</u>	<u>(96,857)</u>
	<u>–</u>	<u>236,636</u>

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

As at 31 March 2022, the carrying amount of properties under development included land use rights of approximately HK\$127,782,000 (2021: HK\$122,616,000).

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.

For the year ended 31 March 2022, provision for impairment of approximately HK\$242,539,000 (2021: Nil) was recognised.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Located in the PRC, held on:		
Leases of between 10 and 50 years	<u>–</u>	<u>236,636</u>

### 14. COMPLETED PROPERTIES HELD FOR SALE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Completed properties held for sale	144,089	144,717
Less: Provision for impairment	<u>(66,139)</u>	<u>(55,664)</u>
	<u>77,950</u>	<u>89,053</u>

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

For the year ended 31 March 2022, provision for impairment of approximately HK\$10,604,000 was recognised to reflect the decrease in net realisable value of the completed properties.

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

\* For identification purpose only

## 15. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>6,434</u>	<u>2,851</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 180 days	<u>6,434</u>	<u>2,851</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Neither past due nor impaired	–	–
Less than 90 days past due	–	1,189
Past due more than 90 days	<u>6,434</u>	<u>1,662</u>
	<u>6,434</u>	<u>2,851</u>

Over 95% of the trade receivables are subsequently received. Therefore, no impairment loss has been provided. The Group does not hold any collateral over these balances.

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets:</b>		
Deposits for acquisition of investment properties, net ( <i>Note i</i> )	<u>401,504</u>	<u>532,397</u>
<b>Current assets:</b>		
Deposits paid, net ( <i>Note ii</i> )	584,870	566,942
Prepayments ( <i>Note iii</i> )	6,636	1,730
Other receivables, net ( <i>Note iv</i> )	47,657	51,293
Amount due from the substantial shareholder ( <i>Note v</i> )	<u>146,901</u>	<u>71,888</u>
	<u><b>786,064</b></u>	<u><b>691,853</b></u>

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

Other receivables are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	47,478	51,139
HK\$	<u>179</u>	<u>154</u>
	<u><b>47,657</b></u>	<u><b>51,293</b></u>

*Notes:*

(i) Properties in Yantian

As at 31 March 2022, deposits paid of approximately HK\$222,217,000, net of provision for impairment of approximately HK\$86,040,000 (2021: 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 supplementary agreement disclosed in the announcement dated 3 May 2018, the titles of the three properties should be transferred to the Group before 30 December 2018. Nevertheless, according to the announcement dated 19 June 2019, the vendor has still not registered the title of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificate remained pending. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the ownership certificate matter. 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. Up to the date of this announcement, the ownership certificate matter is still not resolved. The management will continue to follow up the issue with legal advisors and take appropriate actions.

### Properties in Beijing

As at 31 March 2022, deposit paid of approximately HK\$161,527,000, net of provision for impairment of approximately HK\$85,079,000 (2021: HK\$215,339,000, net of provision for impairment of approximately HK\$21,297,000) was related to the acquisition of properties in Beijing. Details are set out in the announcement of the Company dated 28 February 2017. Due to the outbreak of COVID-19 pandemic, the construction works were temporarily suspended and the progress was delayed. In April 2021, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for an extension of handover of the properties. In June 2022, the Company received a letter from the vendor 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 management will continue to follow up and take appropriate actions.

### Naming right and advertisement board of properties in Yantian

As at 31 March 2022, deposit paid of approximately HK\$17,760,000, net of provision for impairment of approximately HK\$4,399,000 (2021: HK\$21,263,000) was related to the naming right and advertisement board of the properties located in Yantian.

- (ii) As at 31 March 2022, deposits paid were mainly relating to (1) acquisition of properties in Zengcheng of HK\$nil, net of provision for impairment approximately HK\$76,448,000 (2021: HK\$nil, net of provision for impairment approximately HK\$73,357,000) and (2) acquisition of properties in Shenyang (“Shenyang Properties”) of approximately HK\$584,234,000 (2021: HK\$566,306,000).

### Properties in Zengcheng

The acquisition of properties in Zengcheng was terminated on 18 January 2017 and over 77% of the paid consideration has been refunded in previous years. The Group’s legal advisors has issued demand letters to the vendor for the repayment of the remaining balance of the paid consideration and related compensation. Up to the date of this announcement, the Group is still chasing the repayment from the vendor. Based on the Group’s historical credit loss experience, the Group has recognised a loss allowance for expected credit loss on the deposits paid in prior year.

### Shenyang Properties

Details of the acquisition of Shenyang Properties are set out in the announcement of the Company dated 12 October 2017 and the circular of the Company dated 22 January 2018. On 24 April 2019, a termination agreement was entered into between the vendor and the Group to terminate the sale and purchase agreement in relation to the acquisition of Shenyang Properties. The vendor shall refund the total amount of deposits of RMB562,500,000 (the “Refund Amount”) paid by the Group, together with a monetary compensation of RMB11,250,000 on or prior to 24 October 2019, details of which are set out in the announcement of the Company dated 24 April 2019.

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

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 and 28 October 2021, and the circulars of the Company dated 24 August 2020 and 1 November 2021 respectively.

As at 31 March 2022, the Refund Amount outstanding was amounting to approximately RMB473,820,000 (2021: approximately RMB478,630,000) and repayable on or before 2 July 2022. Up to the date of this announcement, the Group has received from Mr. Li Yuguo the full amount of Refund Amount.

- (iii) As at 31 March 2022 and 2021, prepayments mainly comprised prepayment of indirect cost incurred for properties under development and purchases cost of machineries for the production of bottled mineral water in Hunan.
- (iv) As at 31 March 2022 and 2021, other receivables, net of provision of impairment approximately HK\$1,985,000 mainly comprised other tax prepaid in the PRC and advance payments for business related matters.
- (v) As at 31 March 2022 and 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 was approximately RMB119,138,000 (2021: approximately RMB60,758,000) and repayable on or before 2 July 2022. Up to the date of this announcement, the Group received from Mr. Li Yuguo a total sum of approximately RMB46,485,000.

## 17. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>62,631</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 180 days	1,693	7,832
181 to 365 days	87	37
Over 365 days	<u>60,851</u>	<u>52,728</u>
	<u><b>62,631</b></u>	<u><b>60,597</b></u>

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

#### 18. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Land value added tax payable	548	20,222
Accruals	7,103	2,585
Receipts in advance	174	392
Other payables ( <i>Note i</i> )	30,090	24,955
Amount due to non-controlling interests ( <i>Note ii</i> )	15,612	9,912
Amount due to a shareholder ( <i>Note iii</i> )	<u>–</u>	<u>2,761</u>
	<u><b>53,527</b></u>	<u><b>60,827</b></u>

Other payables and accruals are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	28,584	47,168
HK\$	<u>24,943</u>	<u>13,659</u>
	<u><b>53,527</b></u>	<u><b>60,827</b></u>

*Notes:*

- (i) Other payables of approximately HK\$8,813,000 (2021: HK\$8,457,000) is interest bearing at 10% per annum.
- (ii) Amount due to non-controlling interests is unsecured, interest-free and repayable on demand.
- (iii) Amount due to a shareholder is unsecured, interest-free and repayable on demand.

## 19. ACQUISITION OF SUBSIDIARIES

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

For the year ended 31 March 2021, the Group acquired 100% of the issued share capital of, and the shareholder’s loan advanced 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.

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

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

Chi Sheng contributed a profit of approximately HK\$10,502,000 to the Group's results for the period from the date of acquisition to the year ended 31 March 2021.

If the acquisition had been completed on 1 April 2020, the Group's revenue for the period would have been approximately HK\$35,265,000, and the Group's profit for the year ended 31 March 2021 would have been approximately HK\$92,369,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved, had the acquisition been completed on 1 April 2020, nor is intended to be a projection of future results.

## 20. FINANCIAL GUARANTEE LIABILITIES

As at 31 March 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 (2021: RMB100,000,000), detailed as follows:

- (1) On 17 April 2014, 大連創和 provided a corporate guarantee to 大連銀行第一中心支行 (“大連銀行(一)”) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連東潤物資回收有限公司 (“大連東潤”). In 2017, 大連銀行(一) took a legal action against 大連東潤 for the recovery of the aforesaid loan. On 21 December 2017, 遼寧省大連市中級人民法院 (the “Court”) ordered 大連東潤 to repay the loan to 大連銀行(一), together with relevant legal cost and interest.
- (2) On 23 May 2014, 大連創和 provided a corporate guarantee to 大連銀行(一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連連隆物資有限公司 (“大連連隆”). In 2017, 大連銀行(一) took a legal action against 大連連隆 for the recovery of the aforesaid loan. On 28 December 2017, the Court ordered 大連連隆 to repay the loan to 大連銀行(一), together with relevant legal cost and interest.
- (3) On 19 August 2014, 大連創和 provided a corporate guarantee to 大連銀行(一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連澤琦貿易有限公司 (“大連澤琦”). In 2017, 大連銀行(一) took a legal action against 大連澤琦 for the recovery of the aforesaid loan. On 21 December 2017, the Court ordered 大連澤琦 to repay the loan to 大連銀行(一), together with relevant legal cost and interest. The loan principal of RMB50,000,000 has been repaid by 大連澤琦 on 30 December 2017.

Another independent guarantor, 大連順浩置業有限公司 (“大連順浩”) has pledged its properties to secure the bank loans stated in (1), (2) and (3). The estimated value of the pledged properties is over RMB250 million. The directors 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.

The directors are closely monitoring the situations and will continue to use their best endeavor to release the corporate guarantees above. The directors are also assessing the legal position of the Group and may consider taking legal actions if appropriate.

Up to the date of this announcement, the Group did not suffer any loss from the above corporate guarantees. Having considered the counter-guarantees provided by 創達地產, pledge of valuable properties by 大連順浩 and subsequent settlement arrangements as stated above, in the opinion of the directors of the Company, the fair values of the financial guarantee contracts are insignificant at initial recognition as the probability of suffering any significant loss by the Group from the above corporate guarantees is low. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

## 21. MATERIAL RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties

- (i) As disclosed in note 16(v), interest income relating to termination of acquisition of Shenyang Properties for the years ended 31 March 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income relating to termination of acquisition of Shenyang Properties	<u>70,903</u>	<u>58,957</u>

- (ii) During the year ended 31 March 2021, the Group paid advertising expenses to a related company, amounting to approximately HK\$1,341,000. The related company is controlled by the directors of the Group, Mr. Li Yuguo and Mr. Liu Yan Chee James.

**(b) Transaction relating a minority shareholder**

During the year ended 31 March 2022, 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 shareholders of the Company, are recognised as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Compensation relating to failure to fulfil production volume guarantee by minority shareholders	<u>26,338</u>	<u>–</u>

**(c) Remuneration of key management personnel**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Short-term benefits	2,348	3,134
Retirement benefit scheme	<u>18</u>	<u>50</u>
	<u>2,366</u>	<u>3,184</u>

**22. CAPITAL COMMITMENTS**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for:		
Acquisition of investment properties	47,812	45,879
Property development expenditure	112,000	107,893
Construction in-progress for water exploitation activities in Hunan	<u>16,374</u>	<u>800</u>
	<u>176,186</u>	<u>154,572</u>

**23. SUBSEQUENT EVENTS**

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. 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.

\* For identification purpose only

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

For the year ended 31 March 2022 (the “Year”), the revenue of the Group was approximately HK\$21,200,000 (2021: HK\$32,920,000). The decrease in revenue 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; (ii) the debt crisis of some of the property developers in the PRC has adverse impact on the property market; and (iii) the sales and handover of the remaining completed properties held for sale were slowed down during the Year due to the continuation of COVID-19 pandemic.

#### **Cost of Sales**

For the Year, cost of sales of the Group was approximately HK\$4,136,000 (2021: HK\$16,471,000). The cost of sales for the Year 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 Year, the Group recorded a gross profit of approximately HK\$17,064,000 (2021: HK\$16,449,000). The gross profit was mainly attributable to the rental income generated from the investment properties in Zhejiang.

#### **Other Gains**

For the Year, the Group recorded other gains of approximately HK\$125,692,000 (2021: HK\$107,508,000). Other gains mainly consisted of (i) 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 16(v) to the consolidated financial statements); (ii) the compensation receivable from the minority shareholder of Good Union (China) Limited (“Good Union”), 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; and (iii) currency exchange gains on monetary assets and liabilities denominated in Renminbi resulting from the appreciation of Renminbi.

## **Finance Costs**

For the Year, the Group recorded finance costs of approximately HK\$1,052,000 (2021: HK\$1,261,000). The finance costs represented the interest on lease liabilities and other payables.

## **Selling and Distribution Expenses**

For the Year, selling and distribution expenses of approximately HK\$3,001,000 (2021: HK\$2,641,000) primarily consisted of agency and promotion fee incurred for selling the remaining unsold properties in Dalian.

## **Administrative Expenses**

Administrative expenses primarily consisted of directors' emoluments, other staff costs and benefits, depreciation, legal and professional fees, land and property taxes and other general office expenses, which were approximately HK\$26,777,000 for the Year (2021: HK\$26,277,000). The increase was mainly due to the additional legal and professional fees incurred for the major acquisition during the Year and the increase in land and property taxes of the investment properties in Zhejiang, exceeding the decrease in other operating expenses.

## **Share of Results of Associates**

For the Year, the share of losses of associates was approximately HK\$14,366,000 (2021: HK\$10,195,000). The increase in losses was caused by the loss of the associate in Guangxi for the Year, for which its operation was adversely affected by the continuation of COVID-19 pandemic and the increasing transportation costs caused by varying degrees of movement controls in the PRC.

## **Material Impairment Losses and Fair Value Loss on Assets**

Property development and property investment are the major businesses of the Group. Affected by the continuation of the COVID-19 pandemic and the debt crisis of some of the property developers in the PRC, the PRC's economic growth has slowed down, PRC property market became sluggish and the values of assets, particularly property assets, in the PRC are impaired. The Group has suffered a significant impact from these factors and certain assets of the Group were impaired. For the Year, the Group has made:

- (i) provision for impairment loss on properties under development of approximately HK\$242,539,000 (2021: Nil);
- (ii) provision for impairment loss on completed properties held for sales of approximately HK\$10,604,000 (2021: reversal of impairment loss of approximately HK\$856,000);
- (iii) provision for impairment loss on deposits paid of approximately HK\$150,795,000 resulting from the decrease in fair values of the underlying property investments in the PRC properties (2021: reversal of impairment loss of approximately HK\$4,313,000);
- (iv) provision for impairment loss on intangible assets of approximately HK\$40,504,000 (2021: Nil);
- (v) provision for impairment loss on interests in associates of approximately HK\$29,395,000 (2021: Nil); and
- (vi) loss from changes in fair value of investment properties of approximately HK\$37,074,000 (2021: gain of approximately HK\$2,282,000).

## **Loss/Profit attributable to Owners of the Company**

For the Year, the Group recorded a loss attributable to owners of the Company, which amounted to approximately HK\$361,642,000 (2021: profit of approximately HK\$91,264,000). The change from profit for the year ended 31 March 2021 to loss for the Year was mainly attributable to the material impairment losses and fair value loss on assets and the share of losses of associates as analysed above.

## **BUSINESS REVIEW**

The Group continuously focuses on its core businesses including water business, property development and property investment business. Since 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 infected 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. Besides, the debt crisis of some of the property developers in the PRC has negative impact on the property market, which in turn adversely affected the development progress and valuation of our property projects.

### **Water Business**

The Group recorded a loss from water business segment of approximately HK\$17,420,000 for the Year (2021: HK\$5,275,000). For the Year, the loss from water business was mainly attributable to an impairment loss on intangible assets which exceeded the compensation to the Group for failure to fulfill the production volume guarantee by the minority shareholder of Good Union. For the year ended 31 March 2021, there was no impairment provision on the intangible assets.

#### *Water Production and Sales*

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

During the Year, the Group shared losses of associates of approximately HK\$14,366,000 (2021: HK\$10,195,000), which were mainly attributable to the depreciation of property, plant and equipment and amortization of water procurement permit. Losses increased because the revenue of the associates was adversely affected by the continuation of the COVID-19 pandemic and increasing transportation costs caused by varying degrees of movement controls in certain regions in the PRC.

\* *For identification purpose only*

The Group reviewed the recoverable amount of the interests in associates as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer. An impairment loss on the interests in associates of approximately HK\$29,395,000 (2021: Nil) was provided for the Year. Details of the valuation method and key assumptions and the impairment assessment are set out in note 12 to the consolidated financial statements.

### *Water Mining*

The Group holds 67% equity interests in Good Union with a wholly-owned subsidiary in Hunan, which possesses a water mining licence for exploitation of mineral water in Hunan. Due to the outbreak of the COVID-19 pandemic since early 2020, the construction works of the factory has been suspended and delayed. The construction works were resumed in the first half of 2021. However, due to the outbreak of 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 in the third quarter of 2022 and the production is expected to commence at the end of 2022 or early 2023.

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% equity interests in 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 pursuant to 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 Company 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 and recognised as other gains for the Year. 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 license 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. Up to the date of this announcement, 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 license. It is expected that the renewal procedures will be completed in the third quarter of 2022 and the delay in the renewal of water mining license will not affect the construction and production plan of the factory in Hunan.

The Group reviewed the recoverable amount of the water mining licence as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer. An impairment loss on the water mining licence of approximately HK\$40,504,000 (2021: Nil) was provided for the Year. Details of the valuation method and key assumptions and the impairment assessment are set out in note 11 to the consolidated financial statements.

### **Property Development and Property Investment Business**

The Group recorded a loss from property development and investment segment of approximately HK\$317,435,000 for the Year (2021: profit of approximately HK\$124,476,000). The change from profit to loss was attributable to:

- (i) provision for impairment loss on properties under development;
- (ii) provision for impairment loss on completed properties held for sales;
- (iii) provision for impairment loss on deposits paid resulting from the decrease in fair values of the underlying property investments in the PRC properties; and
- (iv) loss from changes in fair value of investment properties.

\* *For identification purpose only*

## 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 and recognised as the completed properties held for sale of the Group. There are 21 buildings established in Phase I with total saleable area of approximately 42,540 square metres including 4 eight-storey apartments (小高層), 9 garden villas (洋房) and 8 garden houses (聯排別墅). Dalian Chuanghe commenced to hand over the properties to buyers in April 2019. For the Year, approximately 548 square metres of properties were handed over and revenue of approximately HK\$4,709,000 (2021: HK\$19,399,000) was recorded. Up to 31 March 2022, an aggregate of approximately 79% of the total saleable area of Phase I have been handed over to the buyers. As at 31 March 2022, Dalian Chuanghe had sale contracts with contract amount of approximately RMB36,979,000 with gross saleable areas of around 5,000 square metres which would be handed over to buyers in the near future.

The Group reviewed the market value of the completed properties held for sale as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. For the Year, a provision for impairment loss on completed properties held for sale of approximately HK\$10,604,000 (2021: Reversal of impairment loss of approximately HK\$856,000) was made.

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 purpose 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, there is a risk that the land of Phase II 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. At the current stage, no further action was taken by the PRC government authorities.

The Board has reviewed and reconsidered the development plan of Phase II. The construction material costs has continuously increased in recent years, which led to the increase in the development costs. However, the selling price of the properties in Dalian has dropped due to the debt crisis of some of the property developers in the PRC since mid-2021 and the outbreak of the COVID-19 pandemic. As a result, the projected profit margin of developing Phase II has dropped significantly. Due to the abovementioned factors, the Board considered a full impairment of approximately HK\$242,539,000 (2021: Nil) 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. If there is any further update, the Company will make a separate announcement on the same as and when appropriate.

## **Property Investment**

### *Yantian Properties*

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

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

\* For identification purpose only

As at 31 March 2022, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB90,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB10,000,000 shall be paid within 30 days from the date on which the relevant building ownership certificates are issued in favour of the purchaser which is an indirect wholly-owned subsidiary of the Company (the “Jinma Industry Park Purchaser”). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

As at 31 March 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).

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

As at 31 March 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 terms of payment stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB1,600,000 shall be paid within 30 days from the date on which the property is registered under the name of the Jinma Industry Park Purchaser. The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

For Yantian Properties (A), (B) and (C) as described above, as at the date of this announcement, the vendor has still not registered the titles of the properties under the name of the Jinma Industry Park Purchaser. The approval from the PRC government authority for issuing the building ownership certificates remained pending. In April 2021, the Company received the second letter from the vendor requesting for an extension of the deadline to 31 December 2021 for handling the matter of building ownership certificates. 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 law firm to negotiate with the vendor to resolve this matter. The management will continue to follow up and take appropriate actions.

The Group reviewed the market value of Yantian Properties (A), (B) and (C) as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. An impairment loss on deposits paid for Yantian Properties of approximately HK\$84,621,000 (2021: Reversal of impairment loss of approximately HK\$5,454,000) was made for the Year.

#### *Beijing Properties*

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

As at 31 March 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 presale 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 management will continue to follow up and take appropriate actions.

\* *For identification purpose only*

The Group reviewed the market value of Beijing Properties as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer using market approach in assessment of the valuation. An impairment loss on deposits paid for Beijing Properties of approximately HK\$61,847,000 (2021: HK\$1,141,000) was provided for the Year.

### *Zhejiang Properties*

In 2020, the Group acquired 100% equity interest in Chi Sheng Trading Company Limited which has a wholly-owned subsidiary in Zhejiang, the PRC. The subsidiary holds the land use rights in respect of an industrial land parcel with site area of approximately 31,950 square metres and a two-storey industrial building with a total gross floor area of approximately 45,330 square metres together with another land parcel with a total site area of approximately 74,960 square metres located in 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\$16,491,000 for the Year (2021: HK\$13,520,000). However, 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 during the Year. The management of the Zhejiang subsidiary is actively soliciting new tenants to maintain the high occupancy ratio.

The Group reviewed the market value of Zhejiang Properties as at 31 March 2022 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. The loss from change in fair value of Zhejiang Properties of approximately HK\$37,074,000 (2021: increment in fair value of approximately HK\$2,282,000) was recognised for the Year. Details of the valuation method and key assumptions and the impairment assessment are set out in note 10 to the consolidated financial statements.

### **Response to outbreak of the COVID-19 Pandemic**

Since early 2020, the 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 purpose 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 the COVID-19 pandemic and ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly. The Group will make timely disclosure on any significant matters which may arise in the future.

### **Environmental Policies and Performance**

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

### **Compliance with Laws and Regulations**

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

### **Relationship with Suppliers, Customers and other Stakeholders**

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

## **PROSPECTS**

Although the Group has faced challenge from the COVID-19 pandemic and the debt crisis of some of the property developers in the PRC during the Year, the Directors are optimistic about the economic development of the PRC in the long run and believes that the demands for water products and properties in the PRC will remain stable and sustainable. The Group will continue to strengthen its competitive strength in its core business, i.e. water business, property development and property investment business and look for appropriate business and investment opportunities in these areas. During the Year, the Group has also been conducting studies on certain energy-related and natural resources projects to explore the possibility of diversifying our businesses. The management remains open for other business opportunities whenever the same arise.

## **SIGNIFICANT INVESTMENTS**

Save for disclosed elsewhere in this announcement, the Group had no material investments during the Year.

## **DIVIDEND**

The Board does not recommend the payment of final dividend for the Year (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 specific mandate on 3 August 2018 were approximately HK\$316,500,000. Details of the placing of shares were set out in the announcements of the Company dated 17 April 2018 and 3 August 2018 respectively and the circular of the Company dated 5 June 2018.

Up to 31 March 2022, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Actual use of net proceeds		Actual allocation of net proceeds		Utilisation	Remaining balance of net proceeds
	HK\$'million	% of net proceeds	HK\$'million	% of net proceeds	HK\$'million	% of net proceeds	up to 31 March 2022	as at 31 March 2022
Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	7.7	48.3	
Potential acquisition of business or companies	213.0	67.3%	Acquisition of Shenyang Properties	213.0	67.3%	213.0	–	
Working capital of the Group	47.5	15.0%	Working capital of the Group	47.5	15.0%	47.5	–	
	<u>316.5</u>	<u>100.0%</u>		<u>316.5</u>	<u>100.0%</u>	<u>268.2</u>	<u>48.3</u>	

With a view to putting the Company's resources to a better use, the Board had therefore temporarily re-allocated the aforesaid unutilised net proceeds for the use of acquisition of Shenyang Properties in previous years. Referring to the announcements dated 24 April 2019, 1 November 2019, 7 July 2020 and 1 September 2021 respectively and the circulars dated 6 February 2020, 24 August 2020 and 1 November 2021 respectively, the acquisition of the Shenyang Property had been terminated and the Group entered into supplemental agreements with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company to recover the outstanding sum in relation to the termination of the acquisition of the Shenyang Property on or before 2 July 2022.

The unutilised net proceeds for the use of the capital expenditure on the production facilities of Hunan Xintian is expected to be used between April 2022 to late 2022. 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.

## **CAPITAL STRUCTURE**

As at 31 March 2022, total equity attributable to owners of the Company was approximately HK\$1,645,363,000 (2021: HK\$1,974,578,000). The decrease arose from the loss attributable to owners of the Company. There were no other material change in the capital structure of the Group during the Year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2022, the Group had total assets of approximately HK\$1,911,672,000 (2021: HK\$2,275,578,000) which was financed by current liabilities of approximately HK\$163,001,000 (2021: HK\$165,214,000), non-controlling interests of approximately HK\$87,810,000 (2021: HK\$102,066,000) and shareholders' equity of approximately HK\$1,645,363,000 (2021: HK\$1,974,578,000).

As at 31 March 2022, the current ratio of the Group was approximately 5.63 (2021: 6.34). Current ratio is calculated based on current assets divided by current liabilities.

As at 31 March 2022, the gearing ratio of the Group was approximately 0.006 (2021: 0.005). Gearing ratio is calculated based on total borrowings divided by total equity.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

Save and except for those disclosed in note 23 to the consolidated financial statements, the Group has no material acquisition or disposal during the Year.

## **SUBSEQUENT EVENTS**

Details of significant subsequent events are set out in note 23 to the consolidated financial statements.

## **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 37 (2021: 25) employees in Hong Kong and the PRC as at 31 March 2022. The total staff cost (staff salaries, directors' emoluments and other staff costs) for the Year amounted to approximately HK\$7,666,000 (2021: HK\$9,482,000). Remuneration packages are generally structured with reference to market conditions and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidises employees in various trainings and continuous education programs.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save and except for those disclosed in note 22 to the consolidated financial statements, the Group did not have any capital commitments and contingent liabilities as at 31 March 2022.

## **FINANCIAL GUARANTEE CONTRACTS**

Save and except for those disclosed in note 20 to the consolidated financial statements, the Group did not have other financial guarantee contracts as at 31 March 2022.

## **CHARGES ON GROUP'S ASSETS**

The Group did not have any charges over its assets as at 31 March 2022.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the Year, the Company complied with all applicable provisions of the Code except for the 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 had liaised with various insurance companies and brokers during the Year and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.

### **Code Provision 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 annual general meeting of the Company held on 17 August 2021, and one non-executive Director and one independent non-executive Director were unable to attend the special general meeting of the Company held on 18 November 2021.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

### **REVIEW OF ANNUAL FINANCIAL STATEMENTS**

The figures in respect of the preliminary announcement of the Group’s annual results for the Year have been agreed by the auditors of the Company.

### **AUDIT COMMITTEE**

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

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

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

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

Hong Kong, 29 June 2022

*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.*