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Asia Resources Holdings Limited

亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “Board”) of directors (the “Directors”) of Asia Resources Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2023 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		For the six months ended	
		30 September	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Continuing operations			
Revenue	5	7,584	20,366
Cost of sales		<u>(2,168)</u>	<u>(3,588)</u>
Gross profit		5,416	16,778
Other gains	6	6,259	19,917
Other losses	7	(5,384)	(46,351)
Selling and distribution expenses		(482)	(351)
Administrative expenses		(14,765)	(13,315)
Share of results of associates		(5,733)	(7,081)
Reversal of impairment loss on other receivables		–	1,878
Gain on bargain purchase	27	–	13,518
Finance costs	8	<u>(291)</u>	<u>(531)</u>
Loss before taxation	9	(14,980)	(15,538)
Taxation	10	1,629	(1,025)
Loss for the period from continuing operations		(13,351)	(16,563)
Profit/(loss) for the period from discontinued operations	11	<u>2</u>	<u>(383)</u>
Loss for the period		<u>(13,349)</u>	<u>(16,946)</u>

* For identification purposes only

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

For the six months ended 30 September 2023

		For the six months ended	
		30 September	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Other comprehensive income, net of tax			
Exchange differences on translating foreign operations		(46,199)	(89,252)
Share of other comprehensive income of associates		297	447
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		(45,902)	(88,805)
		<hr/>	<hr/>
Total comprehensive income for the period		(59,251)	(105,751)
		<hr/>	<hr/>
Loss attributable to:			
– Owners of the Company	<i>13</i>	(12,894)	(16,757)
– Non-controlling interests		(455)	(189)
		<hr/>	<hr/>
		(13,349)	(16,946)
		<hr/>	<hr/>
Total comprehensive income attributable to:			
– Owners of the Company		(58,559)	(104,889)
– Non-controlling interests		(692)	(862)
		<hr/>	<hr/>
		(59,251)	(105,751)
		<hr/>	<hr/>
		HK\$	HK\$
		(unaudited)	(unaudited and restated)
Loss per share attributable to owners of the Company:			
From continuing and discontinued operations			
– Basic and diluted	<i>13</i>	(0.014)	(0.021)
		<hr/>	<hr/>
From continuing operations		(0.014)	(0.021)
– Basic and diluted	<i>13</i>	(0.014)	(0.021)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	15	739,405	775,065
Property, plant and equipment	16	44,088	46,645
Right-of-use assets		4,217	3,512
Intangible assets	17	237,474	238,193
Interests in associates	18	96,564	102,000
Deposits paid	22	120,964	126,798
		1,242,712	1,292,213
Current assets			
Properties under development	19	–	–
Completed properties held for sale	20	61,876	67,100
Inventories		35	–
Trade receivables	21	16,052	17,463
Prepayments, deposits and other receivables	22	148,642	147,796
Amount due from an associate	18	730	765
Amount due from non-controlling interest	23	11,177	11,983
Financial assets at fair value through profit or loss		1,612	1,840
Restricted bank deposits		748	783
Bank balances and cash		26,346	31,556
		267,218	279,286
Assets classified as held for sale	12	163,465	171,348
		430,683	450,634
Current liabilities			
Trade payables	24	53,161	56,044
Other payables and accruals		45,416	49,829
Contract liabilities		34,104	37,693
Lease liabilities		3,232	2,270
Tax payables		411	1,119
		136,324	146,955

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2023

		At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Liabilities directly associated with asset classified as held for sale	12	—*	—*
		136,324	146,955
Net current assets		294,359	303,679
Total assets less current liabilities		1,537,071	1,595,892
Capital and reserves			
Share capital	25	93,840	93,840
Reserves		1,232,827	1,291,386
Total equity attributable to owners of the Company		1,326,667	1,385,226
Non-controlling interests		66,737	67,429
		1,393,404	1,452,655
Non-current liabilities			
Deferred tax liabilities		133,906	142,066
Lease liabilities		1,043	1,171
Borrowings	26	8,718	—
		143,667	143,237
		1,537,071	1,595,892

* less than one thousand Hong Kong dollars

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL

Asia Resources Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM II, Bermuda and its principal place of business of the Company in Hong Kong is Room 2601, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company acts as an investment holding company, while its subsidiaries (hereinafter the Company and its subsidiaries are collectively referred to as the “Group”) are principally engaged in property development, property investment and production and sales of bottled water in the People’s Republic of China (the “PRC”).

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

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial statements were approved for issue on 23 November 2023. This interim financial statements have not been audited.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 April 2022.

HKFRS 17	Insurance Contracts and related amendments
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a single Transaction
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

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

4. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment.

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

- (1) For water business, the CODM regularly reviews the performance of the water business in the PRC. These operations have been aggregated into a single operating segment and named "Water business".
- (2) For property development and property investment business, the CODM regularly reviews the performance of the property development and property investment business. These operations have been aggregated into a single operating segment and named "Property development and investment".
- (3) In March 2023, the board of directors passed a resolution to dispose of the entire equity interests in Century Strong Limited (together with its subsidiaries referred to as the "Disposal Group") to a potential purchaser. On 27 April 2023, a sale and purchase agreement was entered into between the Group and the purchaser. Century Strong Limited is an investment holding company and the Disposal Group are principally engaged in property investment. The Disposal Group is presented as a discontinued reportable segment and named as "Investment in Yantian".

4. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 September

	Continuing operations				Discontinued operations			
	Water business		Property development and investment		Investment in Yantian		Consolidation	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited and restated)		(unaudited and restated)		(unaudited)	(unaudited)
Sales to external customers	-	-	7,584	20,366	-	-	7,584	20,366
Total revenue	-	-	7,584	20,366	-	-	7,584	20,366
Segment results	(1,627)	(3,097)	1,889	(13,017)	2	(383)	264	(16,497)
Fair value (loss)/gain on financial assets at fair value through profit or loss							(227)	36
Central administration costs							(8,991)	(5,366)
Gain on bargain purchase							-	13,518
Share of results of associates							(5,733)	(7,081)
Finance costs							(291)	(531)
Loss before taxation							(14,978)	(15,921)

4. SEGMENT INFORMATION (CONTINUED)

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

	Continuing operations				Discontinued operations			
	Water business		Property development and investment		Investment in Yantian		Consolidation	
	At	At	At	At	At	At	At	At
	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)						
ASSETS								
Segment assets	307,638	303,260	1,084,262	1,133,556	163,465	171,348	1,555,365	1,608,164
Unallocated corporate assets							118,030	134,683
							<u>1,673,395</u>	<u>1,742,847</u>
LIABILITIES								
Segment liabilities	(28,478)	(28,208)	(243,287)	(254,178)	-*	-*	(271,765)	(282,386)
Unallocated corporate liabilities							(8,226)	(7,806)
							<u>(279,991)</u>	<u>(290,192)</u>

5. REVENUE

	For the six months ended	
	30 September 2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Continuing operations		
Revenue from contracts with customers		
Sales of properties	1,792	4,059
Revenue from leases	<u>5,792</u>	<u>16,307</u>
Total Revenue	<u>7,584</u>	<u>20,366</u>

* less than one thousand Hong Kong dollars

6. OTHER GAINS

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Continuing operations		
Interest income relating to termination of acquisition of Shenyang Properties	5,827	19,657
Interest income on bank deposit	52	30
Interest income from an associate	–	53
Interest income from the minority shareholder	282	–
Dividend income from financial assets at fair value through profit or loss	24	47
Government grant	–	5
Bad debt recovery	–	114
Sundry	74	11
	<u>6,259</u>	<u>19,917</u>

7. OTHER LOSSES

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Exchange loss, net	5,384	46,347
Written off of property, plant and equipment	–	4
	<u>5,384</u>	<u>46,351</u>

8. FINANCE COSTS

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest on lease liabilities	164	67
Interest on other payables	127	464
	<u>291</u>	<u>531</u>

9. LOSS BEFORE TAXATION

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The Group's loss before taxation from continuing operation is arrived at after charging/(crediting):		
Amortisation of land use right	100	106
Depreciation of right-to-use assets	1,667	855
Depreciation of property, plant and equipment	1,030	1,528
Staff costs (including directors' remuneration)	5,609	4,715
Lease payment not include in the measurement of lease liabilities	54	67
Fair value loss/(gain) on financial assets at fair value through profit or loss	227	(36)

10. TAXATION

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	<u>18</u>	<u>1,145</u>
Total current tax expenses	<u>18</u>	<u>1,145</u>
Deferred income tax:		
– Increase in deferred tax assets	(862)	–
– Decrease in deferred tax liabilities	<u>(785)</u>	<u>(120)</u>
	<u>(1,647)</u>	<u>(120)</u>
Income tax (credit)/expenses for the period	<u>(1,629)</u>	<u>1,025</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the assessable profit arising in Hong Kong for the six months ended 30 September 2023 and 2022.

Subsidiaries of the Company in the PRC are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 September 2023 and 2022.

11. DISCONTINUED OPERATIONS

On 27 April 2023, the Company and Ms. Mao Yuzhen (“the Purchaser”, an independent third party) entered into a sale and purchase agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, the entire issued share capital of Century Strong Limited and the shareholder’s loan advanced to the Disposal Group, at a consideration of RMB150,000,000.

For the six months ended 30 September 2023, the results and cash flows of Disposal Group are treated as discontinued operations. The comparative condensed consolidated statement of profit or loss and related notes have been represented as if the operations discontinued during the period have been discontinued at the beginning of the comparative period.

For the six months ended 30 September 2023, the results and cash flows of the discontinued operations are analysed as follows:

Analysis of discontinued operations

	For the six months ended	
	30 September	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited and restated)
Revenue	–	–
Other gains	3	4
Administrative expenses	(1)	(387)
	<hr/>	<hr/>
Profit/(loss) before taxation	2	(383)
Taxation	–*	–*
	<hr/>	<hr/>
Profit/(loss) for the period from discontinued operations	<u>2</u>	<u>(383)</u>
 The Group’s profit/(loss) for the period from discontinued operations is carried at after charging:		
Depreciation of property, plant and equipment	–	383
	<hr/>	<hr/>
 Cash flows from discontinued operations:		
Net cash used in operating activities	(1)	–
Net cash generated from investing activities	3	4
Net cash generated from financing activities	–	–
	<hr/>	<hr/>
Net increase in cash and cash equivalents	2	4
Effect of foreign exchange rate changes	(123)	(299)
	<hr/>	<hr/>
Net cash outflow	<u>(121)</u>	<u>(295)</u>

* *less than one thousand Hong Kong dollars*

12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As the carrying amount of the Disposal Group will be recovered principally through a sale transaction rather than through continuing use (details of which are set out in Note 11), the Group classified the assets as held for sale.

The major classes of assets and liabilities comprising the Disposal Group classified as held for sale are as follows:

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Assets		
Properties, plant and equipment	176	185
Deposit paid for acquisition of investment properties in Yantian	149,980	157,214
Deposit paid for naming right and advertising right	8,266	8,664
Cash and cash equivalents	2,559	2,680
Prepayments, deposits and other receivables	<u>2,484</u>	<u>2,605</u>
Assets of Disposal Group classified as held for sale	163,465	171,348
Liabilities		
Tax payable	<u>—*</u>	<u>—*</u>
Liabilities of Disposal Group directly associated with assets classified as held for sale	<u>—*</u>	<u>—*</u>
Net assets directly associated with Disposal Group after fair value adjustment	<u>163,465</u>	<u>171,348</u>

* *less than one thousand Hong Kong dollars*

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Loss		
Loss for the period from continuing operations attributable to the owners of the Company	(12,896)	(16,374)
Profit/(loss) for the period from discontinued operations attributable to the owners of the Company	2	(383)
	<u>(12,894)</u>	<u>(16,757)</u>
	'000 Shares	'000 Shares
	(unaudited)	(unaudited and restated)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>938,403</u>	<u>796,142</u>

The weighted average number of ordinary shares used to calculate the basic and diluted loss per share for the six months ended 30 September 2022 have been adjusted to reflect the share consolidation with effect from 14 October 2022 (Note 25(ii)). Accordingly, the basic and diluted loss per share for the six months ended 30 September 2022 are restated.

The basic and diluted loss per share are the same for the six months ended 30 September 2023 and 2022, as there are no dilutive potential ordinary shares in existence.

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

From continuing operations

The calculation of basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Loss for the period from continuing operations attributable to the owners of the Company	<u>(12,896)</u>	<u>(16,374)</u>

From discontinued operations

Basic profit per share from discontinued operations is less than HK\$0.0001 per share (2022 (Restated): basic loss per share of approximately HK\$0.0005 per share), based on the profit/loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$2,000 (2022 (Restated): loss of approximately HK\$383,000). The denominators used are the same as those detailed above for both basic and diluted profit/loss per share.

The basic and diluted profit/loss per share from discontinued operations are the same for the six months ended 30 September 2023 and 2022, as there are no dilutive potential ordinary shares in existence.

14. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2023 (2022: Nil).

15. INVESTMENT PROPERTIES

As at 1 April 2022, investment properties comprised certain leasehold lands and factory situation in Zhejiang, the PRC. On 27 May 2022, the Group completed the acquisition of investment properties situated in Suzhou, the PRC through acquisition of subsidiaries at a consideration of RMB376 million. Details of the acquisition are set out in Note 27. As at 30 September 2023 and 31 March 2023, investment properties are situated in Zhejiang and Suzhou, the PRC and are held under medium-term leases.

	<i>HK\$'000</i>
As 1 April 2022 (audited)	105,301
Additions through acquisition of subsidiaries (<i>Note 27</i>)	757,161
Additions	5,584
Fair value changes	(70,611)
Exchange realignment	<u>(22,370)</u>
As 31 March 2023 (audited)	775,065
Exchange realignment	<u>(35,660)</u>
As 30 September 2023 (unaudited)	<u>729,405</u>

Amount recognised in profit or loss for investment properties

	For the six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Lease income from operating leases	5,434	13,978
Direct operating expenses on investment properties that generated lease income	<u>1,104</u>	<u>2,657</u>

16. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group purchased property, plant and equipment of approximately HK\$612,000.

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

For the six months ended 30 September 2023, the lease income from machinery leased under operating leases of the Group was approximately HK\$358,000 (2022: HK\$2,329,000).

As at 30 September 2023, the factories under construction located in Hunan, the PRC with the carrying amount of approximately HK\$34,224,000, which were included in the property, plant and equipment, was pledged to a bank for long-term bank borrowings (Note 26) (31 March 2023: Nil).

17. INTANGIBLE ASSETS

	Land use right <i>HK\$'000</i> <i>(Note i)</i>	Water mining licence <i>HK\$'000</i> <i>(Note ii)</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2022 (audited)	11,186	374,639	385,825
Exchange realignment	<u>(823)</u>	<u>(325)</u>	<u>(1,148)</u>
At 31 March 2023 (audited)	10,363	374,314	384,677
Exchange realignment	<u>(477)</u>	<u>(188)</u>	<u>(665)</u>
At 30 September 2023 (unaudited)	<u>9,886</u>	<u>374,126</u>	<u>384,012</u>
Accumulated amortisation and impairment			
At 1 April 2022 (audited)	829	87,436	88,265
Amortisation for the year	207	–	207
Impairment loss for the year	–	58,073	58,073
Exchange realignment	<u>(61)</u>	<u>–</u>	<u>(61)</u>
At 31 March 2023 (audited)	975	145,509	146,484
Amortisation for the period	100	–	100
Exchange realignment	<u>(46)</u>	<u>–</u>	<u>(46)</u>
At 30 September 2023 (unaudited)	<u>1,029</u>	<u>145,509</u>	<u>146,538</u>
Carrying amount			
At 30 September 2023 (unaudited)	<u>8,857</u>	<u>228,617</u>	<u>237,474</u>
At 31 March 2023 (audited)	<u>9,388</u>	<u>228,805</u>	<u>238,193</u>

17. INTANGIBLE ASSETS (CONTINUED)

Notes:

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

Land use right is 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, 湖南新田富鋨礦泉水有限公司, has entered into an agreement with Hunan Government to grant the subsidiary a water mining licence for exploitation of mineral water for 5 years. The subsidiary has the priority to extend the mineral water mining licence afterwards. The mine is located at 湖南新田縣三占塘. The subsidiary has the exclusive rights and authorities to manage and arrange all activities in the mining area. The water mining licence was renewed on 1 December 2022 and will expire on 3 December 2025.

Water mining licence is amortised on a straight-line basis over its estimated useful economic life which was estimated with reference to the validity of the operation licence held and the productions plans of the Group. No amortisation was provided for the period ended 30 September 2023 as commercial production has not yet commenced during the period.

The Directors have assessed the recoverable amount of the water mining licence, which exceeds its carrying amount and therefore no impairment loss was recognised during the period.

18. INTERESTS IN ASSOCIATES

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
At the beginning of the period/year	102,000	147,000
Share of post-acquisition losses and other comprehensive income during the period/year, net of dividends received	(5,436)	(13,447)
Impairment loss for the period/year	–	(31,553)
	<u>96,564</u>	<u>102,000</u>
	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Amount due from an associate	<u>730</u>	<u>765</u>

Notes:

- (i) As at 30 September 2023 and 31 March 2023, amount due from an associate is unsecured, interest-free and repayable on demand.
- (ii) The maximum outstanding balance during the period was approximately HK\$765,000.
- (iii) The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited which has a wholly-owned subsidiary in Guangxi, Guangxi Spring Water Ding Dong Beverages Company Limited* (“Guangxi Spring Water Ding Dong”). Guangxi Spring Water Ding Dong possesses a water procurement permit for production and sales of bottled water and is currently in operation in Guangxi. The remaining 80% equity interests is held by Mr. Li Yuguo, the substantial shareholder, the Chairman and an executive Director of the Company.

* For identification purposes only

18. INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of associates	Form of business and structure	Place of incorporation/ operation	Class of shares/ registered capital held	Proportion of nominal value of paid capital/registered capital held by the Group		Principal activities
				At 30 September 2023 (unaudited)	At 31 March 2023 (audited)	
Hong Kong Spring Water Ding Dong Group Company Limited	Incorporated	Hong Kong	Ordinary	20%	20%	Investment holding and water business
Guangxi Spring Water Ding Dong Beverages Company Limited*	Incorporated	The PRC	Registered	20%	20%	Production and sales of bottled water

Summarised financial information in respect of the Group's associates is set out below:

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Current assets	22,185	25,899
Non-current assets	76,690	84,690
Current liabilities	182,181	187,491
Non-current liabilities	5,449	5,712

* For identification purposes only

18. INTERESTS IN ASSOCIATES (CONTINUED)

	For the six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	<u>3,067</u>	<u>3,063</u>
Loss for the period	(28,663)	(35,405)
Other comprehensive income	<u>1,482</u>	<u>2,236</u>
Total comprehensive income	<u>(27,181)</u>	<u>(33,169)</u>

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

	At	At
	30 September	31 March
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Net liabilities of the associates as at acquisition date	(33,841)	(33,841)
Proportion of the Group's ownership interests in the associates	20%	20%
Cost of investments in associates unlisted in Hong Kong	(6,768)	(6,768)
Valuation adjustment from acquisition	180,712	180,712
Share of post-acquisition losses and other comprehensive income, net of dividends received	<u>(77,380)</u>	<u>(71,944)</u>
Carrying amount of the Group's interests in associates	<u>96,564</u>	<u>102,000</u>

There is no commitment and contingent liabilities under the associates.

19. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Properties under development	307,162	321,976
Less: Provision for impairment	<u>(307,162)</u>	<u>(321,976)</u>
	<u>—</u>	<u>—</u>

Properties under development are the residential properties located at Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC* under development for sale and are held under medium-term leases.

As at 30 September 2023, the carrying amount of the properties under development included land use rights of approximately HK\$112,935,000 (31 March 2023: HK\$118,382,000).

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.

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

* For identification purpose only

20. COMPLETED PROPERTIES HELD FOR SALE

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Completed properties held for sale	118,299	127,315
Less: Provision for impairment	<u>(56,423)</u>	<u>(60,215)</u>
	<u>61,876</u>	<u>67,100</u>

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

21. TRADE RECEIVABLES

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Trade receivables	<u>16,052</u>	<u>17,463</u>

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
0 to 180 days	–	17,463
181 to 365 days	<u>16,052</u>	<u>–</u>
	<u>16,052</u>	<u>17,463</u>

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

* For identification purpose only

21. TRADE RECEIVABLES (CONTINUED)

As at 30 September 2023, a tenant owed the rental to the Group of approximately HK\$15,941,000 (31 March 2023: HK\$16,915,000) due to her temporary tight working capital caused by the outbreak of COVID-19 pandemic. She has entered into an agreement with the Group to repay her outstanding rental by instalments.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Non-current assets:		
Deposits for acquisition of investment properties, net (<i>Note i</i>)	<u>120,964</u>	<u>126,798</u>
Current assets:		
Deposits paid, net (<i>Note ii</i>)	1,072	2,547
Prepayments (<i>Note iii</i>)	11,180	7,364
Accrued income	752	139
Other receivables (<i>Note iv</i>)	28,549	31,559
Amount due from the substantial shareholder (<i>Note v</i>)	<u>107,089</u>	<u>106,187</u>
	<u>148,642</u>	<u>147,796</u>

Notes:

(i) Beijing Properties

As at 30 September 2022, deposit paid of approximately HK\$120,964,000, net of provision for impairment of approximately HK\$96,989,000 (31 March 2023: HK\$126,798,000, net of provision for impairment of approximately HK\$101,667,000) was related to acquisition of properties in Beijing. Details are set out in the announcement of the Company dated 28 February 2017.

Due to the prolonged COVID-19 pandemic and various national-level events held in Beijing in the previous years, the construction works of the properties were required to temporarily suspend for several times and the progress was significantly affected and delayed. The Group received several letters from the vendor requesting for extensions of handover of the properties. The Group is closely monitoring the construction progress of the Beijing Properties and has engaged a PRC lawyer to follow up and handle the delay of handover of the properties.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (ii) As at 30 September 2023 and 31 March 2023, deposits paid mainly comprised rental deposits and payments for business related matters.
- (iii) As at 30 September 2023 and 31 March 2023, prepayments mainly comprised prepayment of indirect cost incurred for properties under development and purchase cost of machineries for the production of bottled mineral water in Hunan.
- (iv) As at 30 September 2023 and 31 March 2023, other receivables mainly comprised other taxes prepaid in the PRC and advance payments for business related matters.
- (v) As at 30 September 2023 and 31 March 2023, amount due from the substantial shareholder, Mr. Li Yuguo, represented the interest receivables relating to the termination of the acquisition of properties in Shenyang pursuant to the fourth supplemental agreements entered into between the Group and Mr. Li Yuguo on 19 August 2022.

Details of the termination of the acquisition of properties in Shenyang and the supplemental agreements entered into between the Group and Mr. Li Yuguo are set out in the announcements of the Company dated 12 October 2017, 24 April 2019, 1 November 2019, 22 January 2020, 27 February 2020, 29 April 2020, 8 May 2020, 7 July 2020, 7 July 2021, 1 September 2021, 28 October 2021, 8 July 2022, 19 August 2022 and 10 July 2023, and the circulars of the Company dated 22 January 2018, 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively.

However, Mr. Li Yuguo has not yet repaid the outstanding sum under the fourth further supplemental agreement by the further extended deadline of 2 July 2023. On 10 July 2023, the Board had set up a special committee to handle the follow-up action in respect of the defaulted amount. In the meantime, the Group is charging Mr. Li Yuguo default interests on the defaulted amount calculated on a daily basis at the rate of 15% per annum until payment. Mr. Li has indicated to the Company that he will fully repay the defaulted amount and the accruing default interests before the end of 2023. For details, please refer to the announcements of the Company dated 10 July 2023 and 8 November 2023.

As at 30 September 2023, the amount due from the substantial shareholder is interest-bearing at 15% per annum, secured by the securities provided by Mr. Li Yuguo and repayable on demand (31 March 2023: interest-bearing at 8% per annum, secured by the securities provided by Mr. Li Yuguo and repayable on 2 July 2023).

23. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

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

On 27 August 2021, Mr. Lam Chun Ho disposed of his 33% shareholding in Good Union to an independent third party. The Group continues to hold 67% of the shareholding in Good Union. The new minority shareholder of Good Union has agreed to assume all the liabilities and commitments of Mr. Lam Chun Ho. The new minority shareholder of Good Union has also agreed and fulfilled certain compensation obligations of Mr. Lam Chun Ho. The compensation relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan for the years 2019 and 2020 of approximately RMB21,936,000 was mutually agreed between the new minority shareholder and the Group.

The new minority shareholder has subsequently paid approximately RMB11,936,000 to the Group. On 28 March 2023, the Group and the new minority shareholder entered into a supplemental agreement, pursuant to which the new minority shareholder agreed to repay the outstanding compensation of RMB10,000,000 together with the interest to be accrued thereon at an interest rate of 5% per annum on or before 27 March 2024.

As at 30 September 2023, the amount due from non-controlling interest was unsecured, interest-bearing at 5% per annum, repayable on or before 27 March 2024 and denominated in RMB.

As at 31 March 2023, the amount due from non-controlling interest of approximately HK\$11,423,000 was unsecured, interest-bearing at 5% per annum and repayable on or before 27 March 2024. The remaining balance of approximately HK\$560,000 was unsecured, interest-free and repaid in April 2023. The balance was denominated in RMB.

24. TRADE PAYABLES

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Trade payables	<u>53,161</u>	<u>56,044</u>

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
0 to 180 days	–	764
181 to 365 days	–	31
Over 365 days	<u>53,161</u>	<u>55,249</u>
	<u>53,161</u>	<u>56,044</u>

25. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each (before share consolidation) and HK\$0.1 each (after share consolidation)		
At 1 April 2022 (audited)	250,000,000,000	2,500,000
Share consolidation (<i>Note ii</i>)	<u>(225,000,000,000)</u>	<u>–</u>
At 31 March 2023 (audited), 1 April 2023 (audited) and 30 September 2023 (unaudited)	<u>25,000,000,000</u>	<u>2,500,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.01 each (before share consolidation) and HK\$0.1 each (after share consolidation)		
At 1 April 2022 (audited)	7,611,690,000	76,117
Placing of shares on 29 July 2022 (<i>Note i</i>)	1,000,000,000	10,000
Share consolidation (<i>Note ii</i>)	<u>(7,750,521,000)</u>	<u>–</u>
Placing of shares on 31 March 2023 (<i>Note iii</i>)	<u>77,233,800</u>	<u>7,723</u>
At 31 March 2023 (audited), 1 April 2023 (audited) and 30 September 2023 (unaudited)	<u>938,402,800</u>	<u>93,840</u>

Notes:

- (i) On 29 July 2022, the Company completed a placing of 1,000,000,000 new shares at a price of HK\$0.03 per placing share (the “1st Placing”) and raised gross proceeds of HK\$30,000,000, of which HK\$10,000,000 was credited to share capital account and the balance of HK\$20,000,000 was credited to share premium account of the Company.

Share issuance expenses (mainly include the placing commission and other related expenses) that are directly attributable to the 1st Placing amounting to approximately HK\$490,000 was treated as a deduction against the share premium account arising of the 1st Placing.

25. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (ii) On 1 September 2022, the director of the Company proposed to implement a share consolidation on the basis that every 10 issued and unissued shares of HK\$0.01 each would be consolidated into one consolidated share of HK\$0.1 each.

Pursuant to an ordinary resolution passed on 12 October 2022, the share consolidation was approved by the shareholders of the Company and has become effective on 14 October 2022. Immediately after the share consolidation, the total number of issued shares of the Company was adjusted from 8,611,690,000 to 861,169,000.

- (iii) On 31 March 2023, the Company completed a placing of 77,233,800 new shares at a price of HK\$0.146 per placing share (the “2nd Placing”) and raised gross proceeds of approximately HK\$11,276,000, of which approximately HK\$7,723,000 was credited to share capital account and the balance of approximately HK\$3,553,000 was credited to share premium account of the Company.

Share issuance expenses (mainly include the placing commission and other related expenses) that are directly attributable to the 2nd Placing amounting to approximately HK\$189,000 was treated as a deduction against the share premium account arising of the 2nd Placing.

26. BORROWINGS

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Non-current liabilities		
Bank borrowings	<u>8,718</u>	<u>–</u>

As at 30 September 2023, bank borrowings are interest-bearing at 4.615% per annum, secured by factories under construction located in Hunan, the PRC (Note 16) and repayable on 19 September 2026 (31 March 2023: Nil). The balance was denominated in RMB.

27. ACQUISITION OF SUBSIDIARIES

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

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

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

Note:

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

27. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

For the six months ended 30 September 2022, the Group recognised a gain on bargain purchase of approximately HK\$13,518,000 in the business combination as a result of the fair value of Shun Jie’s identifiable net assets over the sum of the consideration transferred. The fair value of the identifiable net assets at the date of acquisition is referenced to a valuation report issued by AP Appraisal Limited, an independent qualified valuer.

For the six months ended 30 September 2022, Shun Jie contributed a profit of approximately HK\$7,826,000 to the Group’s results between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 April 2022, the Group’s revenue would have been approximately HK\$25,537,000, and the Group’s loss would have been approximately HK\$13,520,000 for the six months ended 30 September 2022. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved, had the acquisition been completed on 1 April 2022, nor is intended to be a projection of future results.

28. FINANCIAL GUARANTEE LIABILITIES

At 30 September 2023, 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 (31 March 2023: 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.

28. FINANCIAL GUARANTEE LIABILITIES (CONTINUED)

- (3) On 19 August 2014, 大連創和 provided a corporate guarantee to 大連銀行(一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連澤琦貿易有限公司 (“大連澤琦”). In 2017, 大連銀行(一) took a legal action against 大連澤琦 for the recovery of the aforesaid loan. On 21 December 2017, the Court ordered 大連澤琦 to repay the loan to 大連銀行(一), together with relevant legal cost and interest. The loan principal of RMB50,000,000 had been repaid by 大連澤琦 on 30 December 2017.

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

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

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

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

29. CAPITAL COMMITMENTS

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Contracted but not provided for:		
Acquisition of investment properties	21,795	22,847
Property development expenditure	98,986	103,760
Construction in-progress for water exploitation activities in Hunan	<u>7,115</u>	<u>10,189</u>
	<u>127,896</u>	<u>136,796</u>

30. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transaction relating to a substantial shareholder

As disclosed in Note 22(v), interest income relating to termination of acquisition of Shenyang Properties for the six months ended 30 September 2023 and 2022, which were receivable from Mr. Li Yuguo who is a substantial shareholder, the chairman and an executive director of the Company, are recognised as follows:

	For the six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Interest income relating to termination of acquisition of Shenyang Properties	<u>5,827</u>	<u>19,657</u>

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction relating to a minority shareholder

As disclosed in Note 23, on 28 March 2023, the Group and the new minority shareholder entered into a supplemental agreement, pursuant to which the new minority shareholder agreed to repay the outstanding compensation relating to failure to fulfil production volume guarantee of the water mining business in Hunan for the years 2020 and 2021 of RMB10,000,000 together with the interest to be accrued thereon at an interest rate of 5% per annum on or before 27 March 2024. During the six months ended 30 September 2023, interest income receivable from the minority shareholder of the Company was recognised as follows:

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Interest income from the minority shareholder	<u>282</u>	<u>–</u>

(c) Remuneration of key management personnel

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

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	2,399	1,118
Retirement benefits scheme	<u>25</u>	<u>9</u>
	<u>2,424</u>	<u>1,127</u>

31. SUBSEQUENT EVENTS

- (a) On 23 August 2023, the Group entered into a sale and purchase agreement to acquire 100% equity interest in and the relevant shareholder's loan advanced to Yonyin Investment Holdings Limited (the "Target Company A"); and entered into another sale and purchase agreement to acquire 73.1% equity interest in and the relevant shareholder's loan advanced to Yongming Investment Holdings Limited (the "Target Company B"). The indirect wholly-owned subsidiary of the Target Company A, 鎮沅縣九源礦業有限公司 (ZhenYuan County JiuYuan Mining Co., Ltd.*) holds the mineral resources project consisting of a mining license with minerals of lead and zinc located at 中國雲南省普洱市鎮沅縣九甲鄉 (Jiujia Township, Zhenyuan County, Pu'er City, Yunnan Province, the PRC*). The indirect wholly-owned subsidiary of the Target Company B, 鎮沅彝族哈尼族拉祜族自治縣金豪礦業有限公司 (ZhenYuan County JinHao Mining Co., Ltd.*) holds the mineral resources project consisting of an exploration license with minerals of copper, lead and silver located at 中國雲南省普洱市鎮沅彝族哈尼族拉祜族自治縣恩水路(民江集貿市場段) (Enshui Road (Minjiang Market Section), Zhenyuan Yi Hani Lahu Autonomous County, Pu'er City, Yunnan Province, the PRC*). The acquisitions constituted a major transaction under the Listing Rules. The special general meeting for considering and approving the acquisitions will be held on 28 November 2023. Details of the acquisitions are set out in the announcement of the Company dated 23 August 2023 and the circular of the Company dated 9 November 2023.
- (b) On 20 November 2023, the Company has proposed to change the English name of the Company from "Asia Resources Holdings Limited" to "Zhong Jia Guo Xin Holdings Company Limited" and to adopt the Chinese name "中加國信控股股份有限公司" as the secondary name of the Company. The proposed change of company name is subject to, inter alia, the passing of special resolution by the shareholders of the Company at a special general meeting of the Company and the approval of the Registrar of Companies in Bermuda. For details, please refer to the announcement of the Company dated 20 November 2023.

32. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 23 November 2023.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2023 (the “Reporting Period”), the revenue of Asia Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approximately HK\$7,584,000 (2022: HK\$20,366,000).

Post-pandemic economy is depressing in the global market. The overall economy in the People’s Republic of China (the “PRC”) remains stagnant and is unlikely to recover quickly in the near future. In the post-pandemic era, the property market in the PRC become even worse. Due to the unfavourable property market sentiment, the Group’s revenue generated from the sales of developed properties and the rental and management fee income generated from the investment properties in the PRC suffered significant decreases.

Cost of Sales

For the Reporting Period, the cost of sales of the Group was approximately HK\$2,168,000 (2022: HK\$3,588,000). The cost of sales for the Reporting Period represented the cost of properties sold and the decrease was generally in line with the decrease in revenue from sales of properties.

Gross Profit

For the Reporting Period, the Group recorded a gross profit of approximately HK\$5,416,000 (2022: HK\$16,778,000). The gross profit was mainly attributable to rental income from the investment properties in Suzhou and Zhejiang.

Other Gains

For the Reporting Period, the Group recorded other gains of approximately HK\$6,259,000 (2022: HK\$19,917,000). The decrease was mainly due to the decrease in interest income relating to the termination of acquisition of properties located in Shenyang, the PRC as a substantial portion of the outstanding sum had been settled during the year 2022 (details of which are disclosed in the section headed “Connected Transaction” of this announcement).

Other Losses

For the Reporting Period, the Group recorded other losses of approximately HK\$5,384,000 (2022: HK\$46,351,000). The other losses was mainly attributable to the currency exchange losses on the monetary assets and liabilities denominated in Renminbi resulting from the depreciation of Renminbi in the Reporting Period.

Selling and Distribution Expenses

For the Reporting Period, selling and distribution expenses were approximately HK\$482,000 (2022: HK\$351,000). They are mainly attributable to the expenditures on the management, maintenance and repair of the investment properties.

Administrative Expenses

For the Reporting Period, administrative expenses primarily consist of directors’ emoluments, other staff costs and benefits, depreciation, legal and professional fee, land and property taxes and other general office expenses, which were approximately HK\$14,765,000 (2022: HK\$13,315,000). The increase was mainly due to the increase in staff costs as a result of the increase in the number of staff, and the increase in professional fees in relation to the acquisition and disposal transactions during the Reporting Period.

Share of Results of Associates

For the Reporting Period, share of losses of associates was approximately HK\$5,733,000 (2022: HK\$7,081,000) which were mainly due to the depreciation of property, plant and equipment and amortisation of water procurement permit of the associate in Guangxi. The decrease in loss was mainly due to the decrease in operating loss of the associates and the decrease in amortisation of water procurement permit in light of the decrease in its valuation as at the end of the previous financial year ended 31 March 2023.

Finance Costs

For the Reporting Period, the finance costs of the Group was approximately HK\$291,000 (2022: HK\$531,000), which represented interest on lease liabilities and other payable.

Profit for the Period

For the Reporting Period, the Group recorded loss for the period of approximately HK\$13,349,000 (2022: HK\$16,946,000). The decrease in loss was mainly because Renminbi (“RMB”) exchange rate became more stable during the Reporting Period and thus the currency exchange losses decreased.

BUSINESS REVIEW

The Group continued to focus on its core businesses in water business, property development and property investment business. In the post-pandemic era, the overall economy in the PRC remains stagnant. The Group is facing more challenges, including but not limited to downturn of the property market, unfavourable market sentiment and low consumers’ demands in the PRC. The Group is proactively and continuously taking actions to mitigate the adverse impacts of the pandemic on the Group. Nevertheless, our core businesses are inevitably adversely affected to some extent.

Water Business

The Group recorded a loss from water business segment of approximately HK\$1,627,000 for the Reporting Period (2022: HK\$3,097,000). The decrease in loss from water business segment was mainly due to the decrease in currency exchange losses on the monetary assets and liabilities denominated in RMB resulting from more stable RMB exchange rate during the Reporting Period, the decrease in finance costs for short-term borrowings, and the additional interest income from the minority shareholder of a non-wholly owned subsidiary.

Water Production and Sales

The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited 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 Reporting Period, the Group shared losses of associates of approximately HK\$5,733,000 (2022: HK\$7,081,000), which were mainly due to the depreciation of property, plant and equipment and amortisation of water procurement permit. The decrease in loss was mainly due to the decrease in operating loss of the associates and the decrease in amortisation of water procurement permit in light of the decrease in its valuation at the end of the previous financial year ended 31 March 2023.

* *For identification purpose only*

Water Mining

The Group holds 67% equity interests in Good Union (China) Limited (“Good Union”) which has a wholly-owned subsidiary in Hunan, Hunan Xintian Strontium Rich Mineral Water Co., Ltd.* (“Hunan Xintian”). Hunan Xintian possesses a water mining licence for exploitation of mineral water in Hunan. Due to the serious outbreak of COVID-19 in the fourth quarter of 2022, the construction was delayed at that time and most of the workers were dismissed. Before the construction works could be resumed in around February 2023, the Group needed some time to recruit and organize sufficient workers to resume the construction works. The construction of the factory buildings has already been completed in the first half of 2023. The installation of machinery and equipment has also been completed. Trial run will be performed shortly and the application of the production permit will be made after the satisfaction of the trial run. Commercial production is expected to be commenced in early 2024.

On 27 August 2021, the former minority shareholder of Good Union, Mr. Lam Chun Ho disposed of his 33% shareholding in Good Union to an independent third party. The Company continues to hold 67% shareholding in Good Union. The new minority shareholder of Good Union has agreed to assume all the liabilities and commitments of Mr. Lam Chun Ho. The new minority shareholder of Good Union has also agreed and fulfilled certain compensation obligations of Mr. Lam Chun Ho. The compensation relating to the failure to fulfil the production volume guarantee of the water mining business in Hunan for the years 2019 and 2020 of approximately RMB21,936,000 was mutually agreed between the new minority shareholder and the Group. The new minority shareholder has subsequently paid approximately RMB11,936,000 to the Group. On 28 March 2023, the Group and the new minority shareholder entered into a supplemental agreement, pursuant to which the new minority shareholder agreed to repay the outstanding compensation of RMB10,000,000 together with the interest to be accrued thereon at an interest rate of 5% per annum on or before 27 March 2024.

The production volume guarantee of the years 2021 and 2022 were not satisfied due to stringent precautionary measures for the COVID-19 pandemic and the delay in construction works. For the compensation for the years 2021 and 2022, the Group has been maintaining communication and is still negotiating with the new minority shareholder.

* *For identification purpose only*

Property Development and Property Investment Business

The Group recorded a profit from property development and investment segment of approximately HK\$1,889,000 for the Reporting Period (2022: loss of approximately HK\$13,017,000). The turnaround from loss to profit was mainly due to the decrease in currency exchange losses on the monetary assets and liabilities denominated in RMB resulting from more stable RMB exchange rate during the Reporting Period, which override the decrease in revenue and the decrease in interest income relating to termination of acquisition of properties located in Shenyang, the PRC as a substantial portion of the outstanding sum had been settled during the year 2022 (details of which are disclosed in the section headed “Connected Transaction” of this announcement). Details of the decrease in revenue are set out in the property projects in Dalian, Zhejiang and Suzhou below.

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 completed in Phase I with total saleable area of approximately 42,540 square metres including 4 eight-storey apartments (小高層), 9 garden villas (洋房) and 8 garden houses (聯排別墅). Dalian Chuanghe commenced to hand over the properties to buyers in April 2019. For the Reporting Period, approximately 271 square metres of the properties were handed over and revenue of approximately HK\$1,792,000 (2022: HK\$4,059,000) was recorded. Up to 30 September 2023, an aggregate of approximately 81% of the total saleable area of Phase I have been handed over to the buyers. As at 30 September 2023, Dalian Chuanghe had sale contracts with aggregate contract amount of approximately RMB31,624,000 with gross saleable areas of around 4,300 square metres which would be handed over to buyers in the near future.

* For identification purpose only

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.

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.

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

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. Therefore, developing the land of Phase II under the current market condition is not in the best interest of the Company and its shareholders as a whole. Nevertheless, the management are still using its best endeavors to avoid land repossession by the PRC government authorities without compensation.

* *For identification purpose only*

The Group originally expected that the sale of properties in phase 1 of the Dalian Properties were only temporarily affected by the COVID-19 pandemic and the sales of unsold units could resume as soon as the COVID-19 outbreak was approaching the end and the national border started to re-open. However, despite the end of the COVID-19 pandemic and the re-opening of the national border during the first half of 2023, the overall economy in the PRC remained stagnant and was unlikely to recover quickly in the near future. For the property market, the property market conditions became even worse during the past few months. According to the relevant data published by the National Bureau of Statistics of China and other online resources, (i) there was a downward trend in the national real estate development and corporate business units investment since the beginning of 2022 to April 2023; (ii) the number of land transactions during the first quarter of 2023 has reached its lowest since 2010; (iii) the sales of new residential properties and second-hand residential properties were still significantly lower as compared with the levels during the pre-COVID-19 period; (iv) the price of residential properties, in particular second-hand residential properties, in more than 75% of the major cities in the PRC have dropped; (v) the inventory level of real properties has significantly increased by more than 40% as compared with the level as at November 2021; and (vi) the growth in property loans during the first quarter of 2023 has reached its historical low, which indicates an unwillingness of the families to increase their debts during the said period.

Due to the unfavourable property market sentiment, the Group was not able to sell all its remaining unsold units in phase 1 of the Dalian Properties shortly. For phase II, due to the same reason, the Group has to delay or reconsider the development of the land of Phase II. The Group is also using its best endeavour to find a buyer to sell the land of Phase II, but the Group was still not able to identify and secure a buyer.

The Company is closely monitoring the property market conditions and will proceed to carry out active marketing and sales activities for the unsold units in phase 1.

For phase II, the Group will continue to look for buyer for the entire land.

Nevertheless, given that property development is a highly profitable business, the Company never intends to cease such business. Rather, the Company has always been prepared to continue its property development business whenever market opportunities arise. Given the recent market conditions of the property market in the PRC, the economic uncertainties and the increasing costs of construction resulting from the global inflation, the Company has adopted a conservative approach on its property development business for the time being.

Property Investment

Beijing Properties

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

As at 30 September 2023, the Group paid the consideration of RMB200,000,000 in accordance with the payment terms stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the execution of the pre-sale agreement between the vendor and the purchaser, an indirect wholly-owned subsidiary of the Company and the building ownership certificate having been obtained by the purchaser.

Due to the prolonged COVID-19 pandemic and various national-level events held in Beijing in the previous years, the construction works of the properties were required to temporarily suspend for several times and the progress was significantly affected and delayed. The Group received several letters from the vendor requesting for extensions of handover of the properties. The Group has engaged a PRC lawyer to follow up and handle the delay of handover of the properties.

* *For identification purpose only*

The Group is closely monitoring the construction progress of the Beijing Properties. The construction of the Beijing Properties is expected to be completed by December 2023 and the same is expected to be handed over in batches by June 2024. The Company is also doing certain preparation works for leasing the Beijing Properties to tenants once the same is handed over to the Group, including (i) conducting extensive market research on the rental levels of nearby properties, (ii) formulating the marketing strategies at target tenants and (iii) compiling budget and financial projection of the leasing business in respect of the Beijing Properties. Given that the Beijing Properties is situated at the Beijing Convention and Exhibition International Port, the Company is confident that the Beijing Properties will boost the property investment business of the Company. The Company intends to adopt a progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

Zhejiang Properties

The Group holds the land use rights in respect of an industrial land parcel with site area of approximately 31,950 square metres and a two-storey industrial building with a total gross floor area of approximately 45,330 square metres together with another land parcel with a total site area of approximately 74,960 square metres located at Chen Village, Shanghua Street, Lanxi City, Jinhua, Zhejiang Province, the PRC*.

The industrial lands and building are currently leased to tenants for rental income. The Group recorded rental income of approximately HK\$2,184,000 for the Reporting Period (2022: HK\$4,988,000).

Due to the prolonged COVID-19 pandemic, the business of some of the tenants of the Zhejiang Properties could not sustain and had to terminate the lease agreements in the Zhejiang Properties with the Group or reduce the size of gross floor area to be leased in the Zhejiang Properties. Given the aforesaid, the overall occupancy rate of the Zhejiang Properties and the rental income have dropped during the Reporting Period.

* *For identification purpose only*

The Group is now using its best endeavour to identify and solicit new tenants for the vacant units in the Zhejiang Properties. The Company is confident that, once the market conditions improve, the demand for industrial properties will increase and the occupancy rate of the Zhejiang Properties will improve accordingly. The Company intends to adopt a more progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

Suzhou Properties

The Group holds the land use rights and building ownerships in respect of several buildings with total construction area of approximately 14,798 square metres together with the land parcel with a total site area of approximately 20,841 square metres located at 6 Waiwujingnong, Suzhou, Jiangsu, the PRC* (中國江蘇省蘇州市外五涇弄6號).

The Suzhou Properties comprise a garden-style hotel in Suzhou for travel, vacation, conference and meeting. It was being leased out by the Group for rental income and the tenants operated the same as, inter alia, business clubs, featured business boutique hotels, restaurants, shops, offices, etc.

For the Reporting Period, the Group recorded rental and management fee income of approximately HK\$3,608,000 (2022: HK\$11,319,000).

The prolonged COVID-19 pandemic has seriously affected tourism and business meetings, which in turn adversely affected the business of the tenants of the Suzhou Properties. The business of some of the tenants could not sustain and had to terminate the lease agreements in the Suzhou Properties with the Group. Given the aforesaid, the overall occupancy rate of the Suzhou Properties and the rental income have dropped during the Reporting Period.

* *For identification purpose only*

The Group is now using its best endeavour to identify and solicit new tenants for the vacant units in the Suzhou Properties. The Company is confident that, once the market conditions improve, the demand for tourism properties will increase and the occupancy rate of the Suzhou Properties will improve accordingly. The Company intends to adopt a more progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

Yantian Properties (Discontinued operations)

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

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

As at 30 September 2023, the Group had obtained physical possession of the property and conditionally paid refundable deposit in the aggregate sum of RMB90,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB10,000,000 shall be paid within 30 days from the date on which the relevant building ownership certificates are issued in favour of the purchaser which is an indirect wholly-owned subsidiary of the Company (the “Jinma Industry Park Purchaser”). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

* For identification purpose only

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

As at 30 September 2023, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB60,000,000 in accordance with the payment terms stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB5,100,000 shall be paid within 30 days from the date on which the property is registered under the name of the Jinma Industry Park Purchaser. The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

As at 30 September 2023, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB100,000,000 in accordance with the payment terms stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB1,600,000 shall be paid within 30 days from the date on which the property is registered under the name of the Jinma Industry Park Purchaser. The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

For Yantian Properties (A), (B) and (C) as described above, as at the date of this announcement, the vendor has still not registered the titles of the properties under the name of the Jinma Industry Park Purchaser. The approval from the PRC government authority for 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.

As at the date of this announcement, the relevant title registrations and building ownership certificates of the Yantian Properties are still pending approval by the PRC government authorities.

Given the title defects in the Yantian Properties, such properties do not generate any revenue nor profit for the Group while the Group has to expend certain costs in continuing to hold and maintain the same.

On 27 April 2023, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Century Strong Limited, the wholly-owned subsidiary of the Company of which indirectly holds the abovementioned properties, naming right and advertising right of Jimma Creative Industry Park, at a consideration of RMB150,000,000. The disposal constituted a very substantial disposal of the Company and was approved by the shareholders of the Company at the special general meeting of the Company held on 12 July 2023. The disposal is expected to be completed by early 2025. Details of the disposal are set out in the announcement of the Company dated 2 May 2023 and the circular of the Company dated 23 June 2023.

Furniture Trading Business

In December 2022, the Group has entered into a joint venture agreement with an independent third party to establish a joint venture company to engage in furniture distribution business. The joint venture company has been incorporated in January 2023.

The Group is still liaising with the joint venture partner on the commencement of the furniture trading business.

PROSPECTS

Although the Group has faced challenges from the aftermath of the COVID-19 pandemic and the downturn of property market in the PRC during the Reporting Period, 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 suitable business and investment opportunities in these areas.

Further, the Group always endeavours to diversify its business and asset portfolio in order to diverse the risks from its existing businesses. Apart from its existing core business, the Group is actively assessing the feasibilities of expansion into energy-related and natural resources business. The management also remains open for other business opportunities whenever the same arise.

In August 2023, the Group entered into sale and purchase agreements to acquire 100% equity interest in Youyin Investment Holdings Limited and 73.1% equity interest in Yongming Investment Holdings Limited (collectively, the “Target Companies”). The Target Companies and their subsidiaries hold mineral resources projects with minerals of lead, zinc, copper and silver located in Yunnan, the PRC. The acquisitions represent an excellent opportunity for the Group to invest in the natural resources industry in the PRC and are in line with the development objective of the Group of becoming a market player in the natural resources industry. In view of the future prospects and profitability of the mineral resources projects, the Group expects that the projects will bring continuous cash flow to the Group shortly after the acquisitions. The acquisitions are still subject to the approval of the shareholders of the Company at the special general meeting to be held on 28 November 2023. Details of the acquisitions are set out in the announcement of the Company dated 23 August 2023 and the circular of the Company dated 9 November 2023.

SIGNIFICANT INVESTMENTS

Save as disclosed in this announcement, the Group had no material investments during the Reporting Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Reporting Period (2022: Nil).

FUND RAISING ACTIVITIES OF THE GROUP

Placing of Shares on 3 August 2018

The net proceeds (net of all relevant costs and expenses) from placing of shares under special mandate on 3 August 2018 were approximately HK\$316,500,000. Details of the placing of shares were set out in the announcements of the Company dated 17 April 2018 and 3 August 2018 and the circular of the Company dated 5 June 2018.

Up to 30 September 2023, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Actual use of net proceeds	Actual allocation of net proceeds		Utilisation	Remaining
	HK\$ million	% of net proceeds		HK\$ million	% of net proceeds	up to 30 September 2023	balance of net proceeds as at 30 September 2023
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%	28.3	27.7
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>288.8</u>	<u>27.7</u>

For the use of capital expenditure on the production facilities of Hunan Xintian, approximately HK\$10.1 million has been utilised during the Reporting Period. The unutilised net proceeds as at 30 September 2023 of approximately HK\$27.7 million (31 March 2023: HK\$37.8 million) is expected to be utilised between the last quarter of 2023 and the first quarter of 2024. The short delay in utilisation of the unutilised net proceeds was mainly because the time for ordering, delivery, installation and testing of production machines was longer than originally expected.

With a view to putting the Company's resources to a better use, the Board has temporarily re-allocated the aforesaid unutilised net proceeds for the acquisition of Shenyang Properties in previous years. Referring to the announcements dated 24 April 2019, 1 November 2019, 7 July 2020, 1 September 2021 and 19 August 2022 respectively, the circular dated 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively, the acquisition of the Shenyang Properties had been terminated and the Group entered into supplemental agreements with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company to recover the outstanding sum in relation to the termination of the acquisition of the Shenyang Properties on or before 2 July 2023. However, Mr. Li Yuguo has not repaid the outstanding sum and the accrued interest in the aggregate sum of approximately RMB94.8 million on 2 July 2023. Mr. Li Yuguo has indicated to the Group that he will fully repay the defaulted amount before the end of 2023. In the meantime, the Group is charging Mr. Li Yuguo default interests on the defaulted amount calculated on a daily basis at the rate of 15% per annum until payment.

The Board will deploy the unutilised net proceeds of approximately HK\$27.7 million back to the capital expenditure on production facilities of Hunan Xintian.

Placing of Shares on 29 July 2022

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 29 July 2022 at the placing price of HK\$0.03 per share were approximately HK\$29.51 million. The net placing price was approximately HK\$0.0295 per share. Details of the placing of shares were set out in the announcements of the Company dated 5 July 2022 and 29 July 2022 respectively. The closing price of the shares on the date of placing agreement was HK\$0.03.

Up to 30 September 2023, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Utilisation up to 30 September 2023	Remaining balance of net proceeds as at 30 September 2023
	<i>HK\$ million</i>	<i>% of net proceeds</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Working capital of the Group	19.51	66.1%	19.51	–
Potential investment	10.00	33.9%	0.20	9.80
	<u>29.51</u>	<u>100.0%</u>	<u>19.71</u>	<u>9.80</u>

For the use of potential investment, approximately HK\$0.16 million has been utilised during the Reporting Period. The unutilised net proceeds as at 30 September 2023 of approximately HK\$9.80 million (31 March 2023: HK\$9.96 million) is expected to be utilised by December 2023.

Placing of Shares on 31 March 2023

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 31 March 2023 at the placing price of HK\$0.146 per share were approximately HK\$11 million. The net placing price was approximately HK\$0.142 per share. Details of the placing of shares were set out in the announcements of the Company dated 16 March 2023 and 31 March 2023 respectively. The closing price of the shares on the date of placing agreement was HK\$0.177.

Up to 30 September 2023, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Allocation of net proceeds		Utilisation up to	Remaining balance of net proceeds as at
	HK\$ million	% of net proceeds	30 September 2023 HK\$ million	30 September 2023 HK\$ million
Working capital of the Group	<u>11.0</u>	<u>100%</u>	<u>10.16</u>	<u>0.84</u>

Approximately HK\$10.16 million has been utilised during the Reporting Period. The unutilised net proceeds as at 30 September 2023 of approximately HK\$0.84 million (31 March 2023: HK\$11.0 million) is expected to be utilised by 31 March 2024.

CAPITAL STRUCTURE

As at 30 September 2023, total equity attributable to owners of the Company was approximately HK\$1,326,667,000 (31 March 2023: HK\$1,385,226,000). 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 Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's liquidity funds were primarily used for our property business and water business and for their operations and such funds were funded by a combination of capital contribution by shareholders, borrowings as well as cash generated from operation.

As at 30 September 2023, the borrowing of the Group comprised the long-term bank loan of approximately HK\$8,718,000, which is interest-bearing at 4.615% per annum and repayable on 19 September 2026 (31 March 2023: the loan from a third party of approximately HK\$5,255,000, which is interest-bearing at 10% per annum and repayable on demand).

As at 30 September 2023, the Group had total assets of approximately HK\$1,673,395,000 (31 March 2023: HK\$1,742,847,000) which was financed by current liabilities of approximately HK\$136,324,000 (31 March 2023: HK\$146,955,000), non-current liabilities of approximately HK\$8,718,000 (31 March 2023: Nil), non-controlling interests of approximately HK\$66,737,000 (31 March 2023: HK\$67,429,000) and the shareholder's equity of approximately HK\$1,326,667,000 (31 March 2023: HK\$1,385,226,000).

As at 30 September 2023, the Group's current ratio was approximately 3.16 (31 March 2023: 3.07). Current ratio is calculated based on current assets divided by current liabilities.

As at 30 September 2023, the gearing ratio of the Group was approximately 0.007 (31 March 2023: 0.004). Gearing ratio is calculated based on total borrowings divided by total equity.

MATERIAL ACQUISITIONS OR DISPOSALS

Acquisition

On 23 August 2023, the Group entered into a sale and purchase agreement to acquire 100% equity interest in and the relevant shareholder's loan advanced to Yonyin Investment Holdings Limited (the "Target Company A"); and entered into another sale and purchase agreement to acquire 73.1% equity interest in and the relevant shareholder's loan advanced to Yongming Investment Holdings Limited (the "Target Company B"). The indirect wholly-owned subsidiary of the Target Company A, 鎮沅縣九源礦業有限公司 (ZhenYuan County JiuYuan Mining Co., Ltd.*) holds the mineral resources project consisting of a mining license with minerals of lead and zinc located at 中國雲南省普洱市鎮沅縣九甲鄉 (JiuJia Township, Zhenyuan County, Pu'er City, Yunnan Province, the PRC*). The indirect wholly-owned subsidiary of the Target Company B, 鎮沅彝族哈尼族拉祜族自治縣金豪礦業有限公司 (ZhenYuan County JinHao Mining Co., Ltd.*) holds the mineral resources project consisting of an exploration license with minerals of copper, lead and silver located at 中國雲南省普洱市鎮沅彝族哈尼族拉祜族自治縣恩水路(民江集貿市場段) (Enshui Road (Minjiang Market Section), Zhenyuan Yi Hani Lahu Autonomous County, Pu'er City, Yunnan Province, the PRC*). The acquisitions constituted a major transaction under the Listing Rules. The special general meeting for considering and approving the acquisitions will be held on 28 November 2023. Details of the acquisitions are set out in the announcement of the Company dated 23 August 2023 and the circular of the Company dated 9 November 2023.

* For identification purpose only

Disposal

On 27 April 2023, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Century Strong Limited (together with its subsidiaries referred to as the “Disposal Group”) and the shareholder’s loan advanced to the Disposal Group, at a consideration of RMB150,000,000. The Disposal Group holds the naming right, advertising right, a single-storey building located at Block 2 and 76 units located at Block 1 of Jimma Creative Industry Park, which is situated at Depot No. 2, 3rd Road and Shenyan Road Interact, Inner Logistic Park, Yantian Bonded Area, Yantian District, Shenzhen City, the PRC. The disposal constituted a very substantial disposal transaction under the Listing Rules and was approved by the shareholders of the Company at the special general meeting of the Company held on 12 July 2023. The disposal is expected to be completed by early 2025. Details of the disposal are set out in the announcement of the Company dated 2 May 2023 and the circular of the Company dated 23 June 2023.

Save and except for those disclosed above, the Group has no material acquisition or disposal during the Reporting Period.

SUBSEQUENT EVENTS

Save as disclosed in Note 31 to the interim financial statements, the Board is not aware of any significant events that have occurred subsequent to 30 September 2023 and up to the date of this announcement which require disclosure herein.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group is mainly exposed to fluctuation in the exchanges rate of RMB, arising from relevant group entities’ monetary assets and liabilities denominated in foreign currency for the Group’s operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management closely monitors the relevant foreign currency exposure from time to time and will consider hedging significant foreign currency exposures should the need arise.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 55 (2022: 49) employees in Hong Kong and the PRC as at 30 September 2023. The total staff costs (staff salaries, directors' emoluments and other staff costs) for the Reporting Period amounted to approximately HK\$5,609,000 (2022: HK\$4,715,000). 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 training and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save and except for those disclosed in Note 29 to the interim financial statements, the Group did not have other capital commitments and contingent liabilities as at 30 September 2023.

FINANCIAL GUARANTEE CONTRACTS

Save and except for those disclosed in Note 28 to the interim financial statements, the Group did not have other financial guarantee contracts as at 30 September 2023.

CHARGES ON GROUP ASSETS

Save and except for those disclosed in Note 16 to the interim financial statements, the Group did not have other charges over the Group's assets as at 30 September 2023.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Reporting Period.

CONNECTED TRANSACTIONS

Termination of the Acquisition of Properties

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

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

On 1 November 2019, Asiaciti and Mr. Li entered into a supplemental agreement (the “Supplemental Agreement”), pursuant to which, Mr. Li agreed to assume the responsibilities to repay the Refund Amount and the related compensation and interests to Asiaciti. Asiaciti agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum.

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

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

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

Details of the above transactions were disclosed in the announcements of the Company dated 12 October 2017, 24 April 2019, 1 November 2019, 22 January 2020, 27 February 2020, 29 April 2020, 8 May 2020, 7 July 2020, 7 July 2021, 1 September 2021, 28 October 2021, 8 July 2022 and 19 August 2022, and the circulars of the Company dated 22 January 2018, 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively.

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

Up to 2 July 2023, Mr. Li Yuguo has already repaid (1) the entire Refund Amount, (2) the monetary compensation and (3) part of the accrued interests in the aggregate sum of RMB624,061,334.11 to the Company. However, Mr. Li has not yet repaid the outstanding interest together with the interest accrued thereon under the Fourth Further Supplemental Agreement in the aggregate sum of RMB94,762,823.01 (the “Defaulted Amount”) by 2 July 2023. On 10 July 2023, the Board had set up a special committee to handle the follow-up action in respect of the Defaulted Amount. In the meantime, the Group is charging Mr. Li Yuguo default interests on the Defaulted Amount calculated on a daily basis at the rate of 15% per annum until payment. The Group keeps communication with Mr. Li and demands Mr. Li to repay the Defaulted Amount and the accruing default interests. Mr. Li has indicated to the Company that he will fully repay the Defaulted Amount and the accruing default interests before the end of 2023. For details, please refer to the announcements of the Company dated 10 July 2023 and 8 November 2023.

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

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of maintaining a high standard of corporate governance with an aim to protect the interest of shareholders.

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the “Code”) of the Listing Rules. During the Reporting Period, the Company complied with all applicable provisions of the Code except for the deviations as stated below:

Code Provision C.1.8

Under Code provision C.1.8, the Company should arrange appropriate insurance cover in respect of legal action which may be taken against the Directors. The directors' and officers' liability insurance maintained by the Company has expired on 20 May 2018. As the Company has not yet reached an agreement with an insurer regarding the terms and insurance premium of new insurance policy, the insurance cover in respect of legal action which may be taken against the Directors has not been in place since 21 May 2018. The Company has liaised with various insurance companies and brokers and will continue to liaise with them to arrange appropriate insurance cover for the Directors and officers.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CHANGE IN DIRECTORS' INFORMATION

The change in information of the Directors since the publication of the 2023 Annual Report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Liu Yan Chee James has resigned as executive director of Future Bright Mining Limited (Stock Code: 2212) with effect from 1 October 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Zhu Xueyi, Mr. Ba Junyu and Mr. Wong Chung Man. Its primary duties are to, inter alia, review and oversee the financial reporting system, risk management and internal control system of the Group and its effectiveness, and review and monitor the integrity of financial statements of the Company and the Company's annual reports and interim reports.

The audit committee of the Company has reviewed with the management the accounting standards and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2023 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and adequate disclosures have been made in respect thereof.

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

Hong Kong, 23 November 2023

As at the date of this announcement, the Board consists of three executive directors, Mr. Li Yuguo, Mr. Liu Yan Chee James, and Mr. Li Xiaoming; two non-executive directors, Mr. Yang Xiaoqiang and Mr. Huang Yilin; and three independent non-executive directors, Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man.