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If you have sold or transferred all your shares in **Asia Resources Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Asia Resources Holdings Limited

亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

MAJOR AND CONNECTED TRANSACTION SUPPLEMENTAL AGREEMENT IN RELATION TO TERMINATION OF THE ACQUISITION OF PROPERTIES AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 42 of this circular.

A notice convening an special general meeting of the Company to be held at Empire Room 1, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong, on Tuesday, 25 February 2020 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting (i.e. not later than 11:00 a.m. on Sunday, 23 February 2020 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“2017 Announcement”	an announcement of the Company dated 12 October 2017 in relation to, among others, the Acquisition of Properties
“2018 Circular”	a circular of the Company dated 22 January 2018 made on the Stock Exchange in relation to major and connected transaction – Acquisition of Properties and notice of special general meeting
“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement and the transactions contemplated thereunder
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building T3”	the 35-storey building, under the Shenyang Commodity Housing Pre-sale Contract No. 16122, on 46 Nanjing North Street which is part of the land situated at Shifu Main Road, Heping District, Shenyang City, Liaoning Province, the PRC (reference number of 011652204-2)
“Bye-laws”	the existing bye-laws of the Company
“close associates”	having the meaning as ascribed in the Listing Rules
“Company”	Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange (Stock Code: 899)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extended Long Stop Date”	29 February 2020
“Extended Repayment Deadline”	24 April 2020
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“HK\$”	the lawful currency of Hong Kong for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man, formed to advise the Independent Shareholders as to the Supplemental Agreement
“Independent Financial Adviser” or “Pelican Financial”	Pelican Financial Limited
“Independent Shareholders”	Shareholders other than Mr. Li Yuguo and his associates
“Latest Practicable Date”	3 February 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	24 January 2020 or such other date as the Purchaser and Mr. Li Yuguo may agree in writing
“Personal Guarantee”	a personal guarantee dated 20 October 2017 with Mr. Li Yuguo as chargor and in favour of the Purchaser
“PRC”	the People’s Republic of China for the sole purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the real properties comprise Floors 7 to 35 of Building T3
“Purchaser”	Asiaciti Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Refund Amount”	the full amount of RMB562,500,000 paid by the Purchaser to the Vendor according to the Sale and Purchase Agreement

DEFINITIONS

“RMB”	the lawful currency of the PRC for the time being
“Sale and Purchase Agreement”	the agreement dated 12 October 2017 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Properties and guaranteed by the Personal Guarantee
“Securities”	collectively: a. a share charge over 80% shares in Spring Water Ding Dong; and b. a debenture in respect of a floating charges over the shares of certain companies listed on the Stock Exchange held by Mr. Li Yuguo (or his corporate vehicles) in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of par value of HK \$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Spring Water Ding Dong”	Hong Kong Spring Water Ding Dong Group Company Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 1 November 2019 entered into between the Purchaser and Mr. Li Yuguo in relation to the Termination Agreement
“Termination Agreement”	the termination agreement dated 24 April 2019 entered into between the Vendor and the Purchaser in relation to the termination of the Sale and Purchase Agreement

DEFINITIONS

“Termination Announcement”	the announcement of the Company dated 24 April 2019 made on the Stock Exchange in relation to the termination of the Acquisition of Properties
“Vendor”	遼寧京豐置業有限公司 (Liaoning Jingfeng Properties Co., Limited), a company incorporated in the PRC with limited liability
“%”	percent

Asia Resources Holdings Limited
亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

Executive Directors:

Mr. Li Yuguo
Mr. Liu Yan Chee James
Ms. Guo Yumei

Non-executive Directors:

Mr. Yang Xiaoqiang
Mr. Huang Yilin

Independent Non-executive Directors:

Mr. Ba Junyu
Mr. Zhu Xueyi
Mr. Wong Chung Man

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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Business in Hong Kong:*

Room 2601, 26/F,
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

6 February 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES**

INTRODUCTION

Reference is made to the announcement of the Company dated 1 November 2019 in relation to the Acquisition and the announcement of the Company dated 22 January 2020 in relation to the extension of Long Stop Date.

The purpose of this circular is to provide you with the information, among other things, (i) further details of the Supplemental Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder; (iv) the notice of SGM, and other information as required under the Listing Rules.

* For identification purposes only

LETTER FROM THE BOARD

Reference is made to the 2017 Announcement, the 2018 Circular and the Termination Announcement.

On 12 October 2017, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Properties at the consideration of RMB625,000,000.

Completion of the Sale and Purchase Agreement was conditional on, inter alia, the Vendor having provided, to the Purchaser's satisfaction, all documentary evidence that the construction of the Properties have been completed in full compliance with the relevant laws and regulations and legal and valid interests in the Properties.

On 11 April 2019, the Purchaser received a notice from the Vendor that it is anticipated that the Vendor would not be able to complete the construction of the Properties and deliver the same to the Purchaser in accordance with the agreed terms of the Sale and Purchase Agreement.

On 24 April 2019, the parties entered into 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 (i.e. the Refund Amount) paid by the Purchaser and pay a lump sum of RMB11,250,000, being 2% of the Refund Amount, to the Purchaser as monetary compensation. The Sale and Purchase Agreement has been terminated accordingly.

Due to the financial difficulties faced by the Vendor, the Vendor was not able to repay the Refund Amount and the related compensation by 24 October 2019. On 1 November 2019, the Purchaser and Mr. Li Yuguo entered into the Supplemental Agreement, pursuant to which, Mr. Li Yuguo agreed to repay the Refund Amount and the related compensation and interests to the Purchaser. The Purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum.

On 22 January 2020, the Purchaser and Mr. Li Yuguo have agreed in writing to extend the Long Stop Date to 29 February 2020.

The interest rate is determined based on arm's length negotiations with reference to the prevailing market interest rate.

THE SUPPLEMENTAL AGREEMENT

Date

1 November 2019

Parties

- (1) The Purchaser
- (2) Mr. Li Yuguo

LETTER FROM THE BOARD

The Purchaser is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Li Yuguo is a substantial Shareholder holding approximately 29.80% of the issued share capital of the Company as at the date of the announcement dated 1 November 2019, the chairman and an executive Director of the Company. Accordingly, Mr. Li Yuguo is a connected person of the Company under Chapter 14A of the Listing Rules.

Terms

- (1) In view of the termination of the Sale and Purchase Agreement, Mr. Li Yuguo shall refund the Refund Amount of RMB562,500,000 and pay the following to the Purchaser on or before the Extended Repayment Deadline:
 - (i) 2% of the Refund Amount amounting to RMB11,250,000, as monetary compensation; and
 - (ii) interest to be calculated from 25 October 2019 on a daily basis at an interest rate of 5.25% per annum, based on the total amount payable to the Purchaser amounting to RMB573,750,000.
- (2) Mr. Li Yuguo agrees and undertakes that if he breaches the Supplemental Agreement by failing to pay the Refund Amount and the related compensation and interests on or before the Extended Repayment Deadline, he shall pay the Purchaser damages to be calculated on a daily basis at an interest rate of 10% per annum on the outstanding amount payable to the Purchaser at the Extended Payment Deadline, until the outstanding amount and the damages are fully repaid.

CONDITIONS PRECEDENT FOR THE SUPPLEMENTAL AGREEMENT

Completion of the Supplemental Agreement shall be subject to the following conditions precedent:

1. the Company having complied with the requirements under the Listing Rules in respect of the transactions contemplated in Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the approval of the Independent Shareholders; and
2. Mr. Li Yuguo having provided the Securities for the Supplemental Agreement.

If any of the above conditions precedent have not been fulfilled or waived on or before the Extended Long Stop Date, Mr. Li Yuguo shall repay the Purchaser the Refund Amount and the related compensation and interests as calculated from 25 October 2019 immediately.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY, THE GROUP AND THE PURCHASER

The Company is an investment holding company.

The Group is principally engaged in (i) water business; (ii) securities and other trading business; and (iii) property investment.

The Purchaser is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

As at the Latest Practicable Date, over 90% of the construction of the Properties has been completed and the construction of the Properties has been suspended since the first quarter of 2019.

In the second half of 2018, the government of Shenyang City had implemented a series of policies to ensure the stable development of the property market. Such policies include, *inter alia*:

1. Extend the purchase restrictions of commodity house

Subject to certain exceptions, the purchase restrictions of commodity house covered all administrative regions of the entire Shenyang city;

2. Increase the supply of land for residential housing and commodity house

(a) The government would further increase the supply of land for residential housing by adjusting the supply plan of such land and use various channels to increase the rate and timing of land supply; and

(b) The government would also increase the market supply of commodity house by prohibiting commodity housing to be offered to the public in batches. The commodity houses are required to be offered to the public in one whole batch within 10 days after the obtaining of pre-sale permit. It is also required to publish the sales status of all commodity houses and accumulation of inventories are not allowed.

3. Strengthen the supervision on the use of the land

(a) The government would strengthen its supervision on the commencement of construction work after grant of the land. In the event of delay in commencement of construction work, land idle fee will be imposed or for serious case, the land would be forfeited; and

(b) The government would strictly implement the reporting system of commencement and completion of construction work and strengthen the construction progress management. The government would supervise the developer on the timely commencement, implementation and completion of construction work.

LETTER FROM THE BOARD

4. Implement price guidance on commodity house
 - (a) The government would implement the policy regarding pricing of commodity house. For example, the sales price are not allowed to exceed the guidance price;
 - (b) The government would also formulate and implement mechanism of the interaction between the property price and land price.
5. Continue to uphold the market discipline

The government would strengthen its supervision over market discipline in order to minimize market speculation, rule circumvention, signing of “dual contracts”, spreading of market rumours, etc.

Further, the local government had also adjusted its policy and cancelled school net arrangement in the nearby area in August 2018, and such cancellation affected the development of surrounding commercial areas and caused the loss of target customers for the Properties.

Advice from the PRC lawyer

The legal opinion from the PRC lawyer is in relation to the plausible actions to be taken by the Purchaser pursuant to the termination of the Sale and Purchase Agreement. The PRC lawyer advised that, *inter alia*, the Vendor should:

- (i) continue to perform its obligation under the Sale and Purchase Agreement; or
- (ii) rectify the problem of failing the carry out its contractual obligations; or
- (iii) refund and pay damages to the Purchaser.

It is concluded in the PRC legal opinion that the Purchaser should first consider terminating the Sale and Purchase Agreement and to request for a refund of the Refund Amount and damages from the Vendor. Legal actions against the Vendor should remain as the last resort to protect the interests of the Purchaser.

After due consideration of the PRC legal opinion in relation to the termination of the Sales and Purchase Agreement, the management of the Company considered that the entering into of the Supplemental Agreement for settling the Refund Amount and damages from the Vendor in connection to the Acquisition is one of the best, expediate and practicable option with minimum cost to resolve the outstanding matters in relation to the Acquisition and in the interests of the Company and the Shareholder as a whole.

LETTER FROM THE BOARD

Other factors to be considered

The management of the Company currently expects the interest and the compensation derived in the Supplemental Agreement is an attractive opportunity for the Company to generate interest income for the Group.

Further, the management of the Company considers that the Securities provided by Mr. Li Yuguo is commercially comparable to the value of the Refund Amount. If Mr. Li Yuguo fails to repay the Refund Amount by the Extended Repayment Deadline, the Company will be at its discretion to take control over the Securities and may resell it to the market for the recovery of the Refund Amount. Further, since some of the assets which are covered by the Securities are located in Hong Kong instead of the PRC, and the laws of Hong Kong are the applicable laws of the relevant security documents, it will be easier for the Company to enforce such securities as Hong Kong is the legal system which the Directors are more familiar and confident with. As a result of the aforesaid arrangement, the management of the Company considers that the Supplemental Agreement can also fully resolve the outstanding matters in connection to the Acquisition.

In view of the above, the Board considers that the Supplemental Agreement has been entered into on normal commercial terms and the terms thereto are fair and reasonable and the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

Mr. Li Yuguo, the Director who has a material interest in the Supplemental Agreement by virtue of his shareholding interests in the Company, has abstained from voting on the board resolution approving the Supplemental Agreement and the transactions contemplated thereunder.

REASONS FOR AGREEING THE ORIGINAL PAYMENT DEADLINE AND ACCEPTING REPAYMENT BY MR. LI YUGUO

According to the Sale and Purchase Agreement, completion of the Acquisition shall take place before 31 December 2019 or such other date as the Vendor and the Purchaser may mutually agree in writing. The Vendor and Mr. Li Yuguo, in light of:

- (a) the economic atmosphere and the situation at the material time that the local government of Shenyang City had implemented a series of policies to cool down its property market and caused a negative impact on the prospective sales of the Properties and revealed an unpromising prospect of the Properties including, inter alia, (i) strengthening the property purchase restrictions; (ii) increasing the land supply; and (iii) imposing a price ceiling on the sales price of properties;
- (b) the adjustment of the policy of the local government and the cancellation of the school net arrangement in the nearby area, which affected the development of surrounding commercial areas and caused the loss of target customers for the Properties,

have foreseen that the possibility of timely delivery of the Properties is not high. As such they have taken their own initiative to discuss with the Purchaser in mid-April 2019, which was far in advance of the delivery deadline, on the proposed termination of the Sale and Purchase Agreement and the compensation to the Group thereof.

LETTER FROM THE BOARD

Before approving the original repayment schedule, the Board has gone through the following due diligence procedures on the Vendor including but not limited to (i) reviewing the background of the Vendor again; (ii) obtaining a legal opinion from a PRC lawyer; (iii) accessing the potential risks of proceeding with the Termination Agreement with the Vendor; and (iv) reviewing and conduct internal assessment on the possibility of further changes of the future PRC governmental rules and regulations.

At or around the beginning of October 2019, the Board acknowledged that the Vendor could not repay the Refund Amount by 24 October 2019 due to the reasons including (i) the instalments paid by the Purchaser had been injected to the construction of the Properties; (ii) an unexpected sudden change in the property market policy in the PRC; and (iii) a continuous increase in the construction expenses of the Properties throughout the years. The Company has been active by liaising with the Vendor and Mr. Li Yuguo since mid-October 2019 on the issue of the repayment of the Refund Amount. Further, the Directors consider that taking legal action against the Vendor and/or Mr. Li Yuguo may not be in the best interest of the Group since the Group has to expend significant amount of human, financial and time resources in handling the litigation and it will take a long time to obtain a court judgment, the final outcome of which is uncertain.

The Board is of the view that Mr. Li Yuguo would be able to repay by the Extended Repayment Deadline as Mr. Li Yuguo would arrange its personal assets to secure his repayment including (i) a floating charge over the shares in the certain companies listed on the Stock Exchange which are beneficially owned by Mr. Li Yuguo ("**Charged Listed Shares**"), and (ii) a charge over his 80% equity interest in Spring Water Ding Dong ("**Charged Shares**"). The Company would be able to take possession of his assets if Mr. Li Yuguo would not be able to repay the Refund Amount eventually.

Value of assets subject to the charges

To the best knowledge, information and belief of the Directors, the net liabilities of Spring Water Ding Dong as at 30 September 2019 was approximately HK\$46,933,000. It is infeasible to determine with absolute certainty as to whether the aforesaid Securities would be able to cover the Refund Amount at the present moment due to the uncertainty on the latest fair value of the Charged Shares or the Charged Listed Shares or the net liabilities or net assets value (as the case may be) of Spring Water Ding Dong until enforcement and realization of the above Securities. However, the Board is of the view that the value of the aforesaid Securities is commensurate with the Refund Amount with the reasons below:

(i) Spring Water Ding Dong as Securities

Based on the valuation report dated 21 June 2019 prepared by AP Appraisal Limited as independent valuer for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2019, for the equity interests in Spring Water Ding Dong as at 31 March 2019, Spring Water Ding Dong had an estimated market value of RMB1,610 million and no impairment has been made since acquisition and therefore, 80% of the equity interests would amount to approximately RMB1,288 million, which prima facie exceeded the Refund Amount.

LETTER FROM THE BOARD

The income approach was adopted to value the equity interests in Spring Water Ding Dong.

The primary assumptions of the valuation include, *inter alia*:

- the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as at the valuation date;
- management is assumed to be competent, and the ownership to be in responsible hands. The quality of the business management can have a direct effect on the viability and value of the business/asset being assessed;
- no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/regulations, including any environmental or ecological matters or interpretations thereof;
- no consideration has been given to liens or encumbrances that may be against the business; and
- there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.

(ii) Charged Listed Shares as Securities

The Board considers the marketability of the Charged Listed Shares is high because of the vibrant stock market and capital market of Hong Kong. The details of the Charged Listed Shares are as follows:

Name of the Listed Company	Stock Code	Number of Shares	Percentage of Shareholding	Fair Value of the Shares (HKD) as at the Latest Practicable Date	Encumbrance(s) (if any)
Asia Resources Holdings Limited	899	2,268,000,000	29.80%	111,132,000	Nil
Future Bright Mining Holdings Limited	2212	2,388,995,000	61.73%	193,508,595	Nil

As at the Latest Practicable Date, the aggregate value of the Charged Listed Shares was HK\$304,640,595 (equivalent to RMB271,626,695) which provides further security to the recovery of the Refund Amount by the Group.

LETTER FROM THE BOARD

In the event that Mr. Li Yuguo fails to repay the Refund Amount or fulfill the obligation of the Supplemental Agreement, the Board will consider all possible actions including but not limited to taking legal action, negotiating for further extension, requesting for further security or guarantee or enforcing the shares charges. Upon the enforcement of the share charges, the Board intended to open to all possible options for Spring Water Ding Dong at this stage which may be in the best interest of the Shareholders as a whole at the material time. For the Charged Shares, the Board consider that it may (i) keep the Charged Shares; (ii) liquidate the Charged Shares in the open market; or (iii) keep certain percentage of the Charged Shares as an investment and liquidate some of the shares of Spring Water Ding Dong in the open market.

If the Group decided to hold the Charged Shares, the Group would first appoint an independent valuer to assess the value of the business of Spring Water Ding Dong. If its value is insufficient to recover the Refund Amount, the Group will liquidate the Charged Listed Shares under the Securities. Otherwise, upon the transfer of the Charged Shares to the Group, Spring Water Ding Dong would become an indirect wholly-owned subsidiary of the Group. The Group already held 20% equity interests in Spring Water Ding Dong.

The advantages of holding all shares of Spring Water Ding Dong are as follows:

- (i) Spring Water Ding Dong is a good investment for the Group in terms of future investment, because there has been no impairment loss since the acquisition of the shares of Spring Water Ding Dong;
- (ii) Spring Water Ding Dong has been generating profits since 2019 and is expected to have positive contribution to the financial results of the Group;
- (iii) both Spring Water Ding Dong and the Group may benefit from the resultant economies of scales and create a synergy between the two as Spring Water Ding Dong principally engages in the same business as that of the Group; and
- (iv) taking over Spring Water Ding Dong will enable the Group to further develop its existing water business through a full utilization of, including but not limited to, (i) the manufacturing and distribution channel of bottled water products in the PRC, and (ii) the existing customer base of Spring Water Ding Dong.

As for the advantages of liquidating all Charged Shares, the Group will receive cash for general working capital or for the development of other business of the Group. As for the advantages of keeping a certain percentage of the Charged Shares as investment and liquidate some of the shares of Spring Water Ding Dong in the open market, the Group will benefit from both the balance of the advantages of liquidating the Charged Shares and keeping the Charged Shares.

The disadvantage of liquidating the Charged Shares and the Charged Listed Shares is that the realization of the shares is subject to the market condition at the material time. The Group may need to offer a discounted price of the shares in order to prompt an expedient disposal of such large number of shares.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE GROUP UPON THE FULL PAYMENT OF THE REFUND AMOUNT BY MR. LI YUGUO OR THE ENFORCEMENT OF SECURITIES

If Mr. Li Yuguo fully pays the Refund Amount and the related compensation and interest, the audited consolidated total assets of the Group would have increased by approximately HK\$29,367,000.

Based on the information currently available to the Group, the value of the Charged Shares alone is higher than the Refund Amount while the value of the Charged Listed Shares is lower than the Refund Amount. The Group may have the flexibility to decide which of the Securities (or any part thereof) or a combination of any of them to realize in the event of enforcement.

It is infeasible to set out all the different scenarios which the various combinations of Securities are enforced. The Directors will decide as to which combination will be in the best interest of the Company and the Shareholders as a whole at the material time.

Below are the financial effects of the Group upon the enforcement of Securities based on two different scenarios (subject to adjustment based on the fair values upon the enforcement of securities):

Scenario 1

Keeping Charged Shares only

Based on the information currently available to the Group, if a certain portion of the Charged Shares are kept by the Group, of which is used to settle the equivalent amount of the Refund Amount, the Group will hence further increase its equity interest in Spring Water Ding Dong. It is anticipated that Spring Water Ding Dong will become a subsidiary of the Company, their financial results will be consolidated into the Group's financial statements:

- (a) the audited consolidated total assets of the Group would have increased by approximately HK\$1,191,299,000, or approximately 44%, from approximately HK\$2,720,466,000 as at 31 March 2019 to approximately HK\$3,911,765,000. Such increase would be mainly attributable to the recognition of water procurement permit arising from Spring Water Ding Dong of approximately HK\$1,938,358,000 and the addition of the other assets of Spring Water Ding Dong of approximately HK\$164,213,000 resulting from keeping the Charged Shares; and

LETTER FROM THE BOARD

- (b) the audited consolidated total liabilities of the Group would have increased by approximately HK\$701,450,000, or approximately 181%, from approximately HK\$388,168,000 as at 31 March 2019 to approximately HK\$1,089,618,000. Such increase would be mainly attributable to the increase in trade and other payables of approximately HK\$216,860,000 and recognition of deferred tax liabilities of approximately HK\$484,590,000 of Spring Water Ding Dong resulting from keeping the Charged Shares.

Upon enforcement of the Share Charge, the acquisition of the equity interest in Spring Water Ding Dong may, depending on the results of size-tests at the material time, may constitute a notifiable transaction under Chapter 14 of the Listing Rules and will constitute a connected transaction under Chapter 14A of the Listing Rules. The Company will comply with all requirements under the Listing Rules in case of enforcement of the Share Charge.

Scenario 2

Liquidating all Charged Shares and Charged Listed Shares

If all the Charged Listed Shares and a certain portion of the Charged Shares are liquidated:

Upon the sale of the Charged Shares and Charged Listed Shares, the audited consolidated total assets of the Group would have increased by approximately HK\$29,367,000, or approximately 1%, from approximately HK\$2,720,466,000 as at 31 March 2019 to approximately HK\$2,749,833,000. Such increase would be mainly attributable to the sale of the Charge Shares and Charged Listed Shares.

Upon enforcement of the floating charge over the shares in Asia Resources Holdings Limited, the Purchaser will request Mr. Li Yuguo to liquidate the same in the market and will not keep any of the same.

For floating charge over the shares in Future Bright Mining Holdings Limited, the Purchaser does not intend to enforce the same to such extent that it will trigger the obligation to make a mandatory general offer under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers. The intention of the Group is to ensure that, through the enforcement of such securities, sufficient financial resources will be available for the recovery of the Refund Amount and the related compensation and interest but not to hold any equity interest in Future Bright Mining Holdings Limited.

LETTER FROM THE BOARD

MAJOR TERMS OF THE SECURITIES

The details of the Securities to be provided by Mr. Li Yuguo for the Supplemental Agreement are as follows:

Share Charge

A deed of share charge will be executed by Jiu Tai International Resources Company Limited (the “**Chargee**”) in favour of the Purchaser over the following Charged Shares to guarantee Mr. Li Yuguo’s obligations to repay the Refund Amount (the “**Share Charge**”):

Name of the company	Number of Charged Shares	Percentage of Shareholding	Fair Value of the Charged Shares (RMB’000) as at the Latest Practicable Date	Encumbrance(s) (if any)
Spring Water Ding Dong	80	80	1,288,000	Nil

Pursuant to the Share Charge, the Purchaser has the right to dispose of the Charged Shares upon occurrence of an event of default, including but not limited to, Mr. Li Yuguo’s failure to repay the Refund Amount. Upon Mr. Li Yuguo’s full repayment of the Refund Amount and/or fulfilment of his obligations under the Supplemental Agreement, the Purchaser shall release the Share Charge.

Debenture

A debenture will be entered into between Mr. Li Yuguo and the Purchaser (the “**Debenture**”) to create a floating charge over the following Charged Listed Shares beneficially owned by Mr. Li Yuguo:

Name of the listed company	Stock Code	Number of Shares	Percentage of Shareholding	Fair Value of the Shares (HKD) as at the Latest Practicable Date	Encumbrance(s) (if any)
Asia Resources Holdings Limited	899	2,268,000,000	29.80%	111,132,000	Nil
Future Bright Mining Holdings Limited	2212	2,388,995,000	61.73%	193,508,595	Nil

LETTER FROM THE BOARD

Pursuant to the Debenture, all interests and/or other receivables arising from the Charged Assets are also subject to the charge. The Purchaser may, at any time, issue a written notice to Mr. Li Yuguo to immediately realise the Charged Listed Shares if there is reason(s) to believe that the Charged Listed Shares would be depreciated due to legal proceedings, or to protecting the priority of the charge over the Charged Listed Shares. Any attempt in creating or permit to subsist any encumbrance on all or any part(s) of the Charged Listed Shares (without prior written approval from the Purchaser) would trigger an automatic crystallization of the charge. The Debenture will be a continuing security for Mr. Li Yuguo's obligations under the Supplemental Agreement notwithstanding any intermediate or full payment of the Refund Amount.

The Board (except Mr. Li Yuguo) collectively made the decision in negotiating each of the Termination Agreement and the Supplemental Agreement and Mr. Liu Yan Chee James and Ms. Guo Yumei represented the Board for signing the Termination Agreement and the Supplemental Agreement respectively.

FINANCIAL INFORMATION OF SPRING WATER DING DONG

According to the audited accounts for the years ended 31 December 2017 and 2018 and unaudited management accounts for the nine months ended 30 September 2019 of Spring Water Ding Dong based on generally accepted accounting principles of Hong Kong:

- its net liabilities as at 30 September 2019 was approximately HK\$46,933,000; and
- its net profits/(losses) before and after tax for each of the two years ended 31 December 2017 and 31 December 2018 and nine months ended 30 September 2019 were as follows:

	For the year ended 31 December 2017 HK\$'000	For the year ended 31 December 2018 HK\$'000	For the nine months ended 30 September 2019 HK\$'000
Net profit/(losses) before tax	67,985*	(11,717)	12,588
Net profit/(losses) after tax	67,985*	(11,717)	12,588

Note *: The profit was mainly attributable by the gain on disposal of a subsidiary.

Spring Water Ding Dong owns 100% equity interest in a PRC company, which is principally engaged in production and sales of bottled water. The PRC company currently owned a water procurement permit with a capacity of 450,000 ton per annum.

There is a risk that, at the material time of enforcement of the Securities, the value of all the Securities will not be sufficient to cover the Refund Amount, the interest and monetary compensation. In the event that, despite the enforcement of all the Securities, the proceeds are still not sufficient, the Purchaser will be entitled to demand Mr. Li Yuguo to pay the shortfall, and may also consider taking legal action against Mr. Li Yuguo if he fails to do so.

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Li Yuguo is a substantial Shareholder holding approximately 29.80% of the issued share capital of the Company as at the date of the announcement dated 1 November 2019 and the Latest Practicable Date, the chairman and an executive Director of the Company. Accordingly, Mr. Li Yuguo is a connected person of the Company under Chapter 14A of the Listing Rules and the Supplemental Agreement constitutes a connected transaction, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Supplemental Agreement is more than 25% but less than 100%, the Supplemental Agreement constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The voting in respect of the Supplemental Agreement at the SGM will be conducted by way of poll. Mr. Li Yuguo and his associates are required to abstain from voting in respect of the resolution(s) approving the Supplemental Agreement at the SGM.

Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the Supplemental Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolution(s) approving the Supplemental Agreement at the SGM.

SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

A notice of an SGM to be held at Empire Room 1, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Tuesday, 25 February 2020 is set out on pages SGM-1 to SGM-3 of this circular, for the purpose of considering and, if thought fit, passing the resolution in respect of the Supplemental Agreement and the transactions contemplated thereunder.

For determining the entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Thursday, 20 February 2020 to Tuesday, 25 February 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 19 February 2020.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.asiaresources899.com.hk>). Whether or not you propose to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so desire and, in such event, the form of proxy shall be deemed to be revoked.

The Independent Board Committee comprising Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man has been formed to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement and the transactions contemplated

LETTER FROM THE BOARD

thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) on how to vote. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, Mr. Li Yuguo, which has a material interest in the transactions contemplated under the Supplemental Agreement, and his associates will be required to abstain from voting on the resolution(s) approving the Supplemental Agreement and the transactions contemplated thereunder.

Save for the aforesaid and to the best knowledge, information and belief of the Board, as at the Latest Practicable Date, no shareholder other than Mr. Li Yuguo has a material interest in the Supplemental Agreement is required to abstain from voting at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the SGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 42 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

Accordingly, the Board (excluding Mr. Li Yuguo, who is also the Director and therefore abstained from voting in the Board meeting to approve the Supplemental Agreement and the transactions contemplated thereunder) recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Supplemental Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Asia Resources Holdings Limited
Liu Yan Chee James
Executive Director

Asia Resources Holdings Limited
亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

6 February 2020

To the Independent Shareholders of Asia Resources Holdings Limited

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES**

We refer to the circular dated 6 February 2020 issued by the Company (the “Circular”), of which this letter forms part. Capitalised terms defined in this letter shall bear the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Supplemental Agreement and to advise you as to whether, in our opinion, the terms of the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Supplemental Agreement are set out in the letter from the Board contained in the Circular. Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 19 of the Circular, and letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders as set out on pages 22 to 42 of the Circular which contains its advice to us in respect of whether the terms and conditions of Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, having taken into account the advice of the Independent Financial Adviser, consider that even the entering into of the Supplemental Agreement is not in the ordinary and usual course of the Group's business, the terms of the Supplemental Agreement are on normal commercial terms and that they are fair and reasonable. The entering into of the Supplemental Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in relation to the Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of

Independent Board Committee of
Asia Resources Holdings Limited

Mr. Ba Junyu

Mr. Zhu Xueyi

Mr. Wong Chung Man

Independent Non-Executive Directors



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38–40 Leighton Road, Causeway Bay, Hong Kong

6 February 2020

*To the Independent Board Committee and the Independent Shareholders of
Asia Resources Holdings Limited*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 6 February 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the announcement of the Company dated 1 November 2019 in relation to the termination of the acquisition of properties (the “**Announcement**”), on 24 April 2019, the Vendor and the Purchaser has entered into the Termination Agreement. On 1 November 2019, the Purchaser and Mr. Li Yuguo (“**Mr. Li**”) entered into the Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Refund Amount and the related compensation and interests to the Purchaser. The Purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Supplemental Agreement is more than 25% but less than 100%, the Supplemental Agreement constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, Mr. Li is a substantial Shareholder holding approximately 29.80% of the issued share capital of the Company as at the Latest Practicable Date. He is also the chairman and an executive Director of the Company. Accordingly, Mr. Li is a connected person of the Company under Chapter 14A of the Listing Rules and the Supplemental Agreement constitutes a connected transaction, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. The Independent Board Committee, comprising Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man, has been established to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited ("**Pelican**") is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican's independence as defined under Rule 13.80 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Supplemental Agreement and the transactions contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Supplemental Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) on the Supplemental Agreement and the transactions contemplated thereunder at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Sale and Purchase Agreement, the Supplemental Agreement, the Termination Agreement, the legal opinion from the PRC lawyer in relation to the plausible actions to be taken by the Purchaser pursuant to the termination of the Sale and Purchase Agreement (the “**PRC Legal Opinion**”), the valuation report dated 21 June 2019 prepared by AP Appraisal Limited (the “**Valuer**”) on the fair value of the water procurement permit held by Spring Water Ding Dong and the 20% equity interests of Spring Water Ding Dong for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2019 (the “**Valuation Report**”), the Announcement, the Termination Announcement, the announcement of the Company dated 22 January 2020 in relation to the extension of Long Stop Date, the 2017 Announcement and the 2018 Circular in relation to the Acquisition of Properties; the audited annual report of the Company for the financial year ended 31 March 2019 (the “**2019 Annual Report**”), the unaudited interim report of the Company for the six months ended 31 September 2019 (the “**2019 Interim Report**”), and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Supplemental Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Information on the Company and the Group

The Company is an investment holding company. The Group is principally engaged in (i) water business, which involves the production and sales of bottled water and water exploitation operations; (ii) securities and other trading business, which involves the trading of securities and electric wires; and (iii) property development and investment, which involves the construction and sale of real estate including residential properties, commercial buildings and industry parks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial information of the Group for the two financial years ended 31 March 2019 and the six months ended 30 September 2019 as extracted from the 2019 Annual Report and the 2019 Interim Report, respectively.

	For the six months ended 30 September 2019	For the financial year ended 31 March 2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Audited)
Revenue	168,618	32,760	–
Gross profit/(loss)	(40,304)	1,028	–
Loss for the year/period	(69,621)	159,393	125,598

For the year ended 31 March 2019, the consolidated revenue of the Group amounted to approximately HK\$32.8 million compared to nil in the previous year as a result of its trading of electric wires in Hong Kong on a one-off and trial basis. According to the 2019 Annual Report, the Group will continue to identify new sources of general merchandise and engage in the trading business in Hong Kong or elsewhere depending on the actual market circumstances and opportunities. During the same year, no revenue was derived from the Group's water business as the production and sales of bottled water recorded a loss and as the Group's water exploitation facilities were under construction and expected to be completed in early to mid of 2020. Similarly, for the year ended 31 March 2019, no revenue was derived from the Group's property development and investment and the segment recorded a loss of approximately HK\$118.0 million, which mainly comprised operation and administrative expenses and impairment losses on properties under development and completed properties held for sales located in Dalian.

For the six months ended 30 September 2019, the consolidated revenue of the Group amounted to approximately HK\$168.6 million compared to nil in the same period of previous year as a result of the handover of properties in Dalian and the commencement of selling bottled water products in the PRC during the period. During the same period, the Group recorded revenue from the sales of properties and sales of bottled water products of approximately HK\$168.4 million and HK\$263,000 respectively. On the other hand, for the six months ended 30 September 2019, the Group recorded a gross loss of approximately HK\$40.3 million compared to nil in the same period of previous year as a result of the loss on sales of the properties in Dalian due to higher development costs suffered from the delay of the property development, and the downturn of the property market in Dalian resulting a drop in selling price.

Meanwhile, the consolidated assets and liabilities of the Group as at 30 September 2019 as extracted from the 2019 Interim Report are summarized as follows:

	As at 30 September 2019
	<i>HK\$ million</i>
	(Unaudited)
<i>Total assets</i>	
– Non-current assets	1,103.5
– Current assets	1,321.8
<i>Total liabilities</i>	
– Non-current liabilities	17.1
– Current liabilities	181.7
Net current assets	1,140.1
Net assets	2,226.5
Equity attributable to owners of the Company	2,108.4

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2019, the consolidated non-current assets of the Group amounted to approximately HK\$1,103.5 million, of which approximately HK\$494.7 million was paid deposits and approximately HK\$604.6 million were interests in associates, intangible assets, and property, plant and equipment. The consolidated current assets of the Group amounted to approximately HK\$1,321.8 million, of which approximately HK\$419.9 million were properties under development and completed properties held for sale, HK\$32.1 million were bank balances and cash, HK\$855.9 million were amount due from an associate, and prepayments, deposits and other receivables, and the remaining balance of approximately HK\$4.0 million were financial assets at fair value and paid income tax.

The consolidated non-current liabilities of the Group amounted to approximately HK\$17.1 million, which were deferred tax liabilities and lease liabilities. The consolidated current liabilities of the Group amounted to approximately HK\$181.7 million, of which approximately HK\$116.4 million were trade payables, other payables and accruals, and the remaining balance of approximately HK\$65.3 million were contract liabilities, lease liabilities due within one year and tax payable.

As at 30 September 2019, the consolidated net current assets and net assets of the Group were approximately HK\$1,140.1 million and HK\$226.5 million respectively.

For details on the information on the Purchaser and the Vendor, please refer to the Board Letter.

2. The Termination Agreement and the Supplemental Agreement

On 24 April 2019, the Vendor and the Purchaser entered into the Termination Agreement, pursuant to which, (i) the parties 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 repay the Refund Amount of RMB562,500,000 and a lump sum of RMB11,250,000, being 2% of the Refund Amount, to the Purchaser as monetary compensation.

However, at or around the beginning of October 2019, the Board acknowledged that the Vendor could not repay the Refund Amount by 24 October 2019 due to the reasons including (i) the instalments paid by the Purchaser had been injected to the construction of the Properties; (ii) an unexpected sudden change in the property market policy in the PRC; and (iii) a continuous increase in the construction expenses of the Properties throughout the years. As such, the Company has been actively liaising with the Vendor and Mr. Li since mid-October 2019 on the issue of the repayment of the Refund Amount and on 1 November 2019, the Purchaser and Mr. Li entered into the Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Refund Amount of RMB562,500,000 and pay the following to the Purchaser on or before the Extended Repayment Deadline:

- (i) 2% of the Refund Amount amounting to RMB11,250,000, as monetary compensation; and
- (ii) interest to be calculated from 25 October 2019 on a daily basis at an interest rate of 5.25% per annum, based on the total amount payable to the Purchaser amounting to RMB573,750,000.

Pursuant to the Supplemental Agreement, the Purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum, and on 22 January 2020, the Purchaser and Mr. Li Yuguo have agreed in writing to extend the Long Stop Date to 29 February 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The principal terms of the Supplemental Agreement are set out in the Board Letter and completion shall be conditional upon the following conditions precedent:

1. the Company having complied with the requirements under the Listing Rules in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the approval of the Independent Shareholders); and
2. Mr. Li having provided the Securities for the Supplemental Agreement.

If any of the above conditions precedent have not been fulfilled or waived on or before the Extended Long Stop Date, Mr. Li shall repay the Purchaser the Refund Amount and the related compensation and interests as calculated from 25 October 2019 immediately.

3. Principal terms of the Supplemental Agreement

I. Repayment arrangement

In view that the interests derived from the Supplemental Agreement is payable by Mr. Li, a connected person, to the Group, we consider such arrangement as similar to a loan/financial assistance arrangement and hence we have reviewed similar transactions involving the provision of loan/financial assistance to a connected person with a fixed interest rate by companies listed on the Stock Exchange over the past six months immediately preceding and up to the date of the Announcement, in assessing the fairness and reasonableness of the terms of the Supplemental Agreement. To the best of our knowledge, we found twenty-three transactions (the “**Market Comparables**”) which meet the said criteria and such list is exhaustive as far as we are aware. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those of the Market Comparables. However, we consider that the loan/financial assistance arrangements of the Market Comparables were determined under similar market conditions and sentiment and hence reflect the general market trend of provision of loan/financial assistance in the open market. Therefore, we are of the view that the Market Comparables provide a general reference in assessing the fairness and reasonableness of the terms of the Supplemental Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table: Market Comparables

Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N) (Note)	Term (years)	Interest rate per annum (%)
1 Nov 19	3396	Legend Holdings Corporation	Y	2.16	7.47
30 Oct 19	2068	China Aluminum International Engineering Corporation Limited	Y	1.0	5.0
28 Oct 19	8262	Super Strong Holdings Limited	N	1.0	3.0
25 Oct 19	418	Founder Holdings Limited	N	3.0	5.75
21 Oct 19	679	Asia Tele-Net and Technology Corporation Limited	N	3.0	5.13
19 Oct 19	2357	AviChina Industry & Technology Company Limited	N	1.0	7.0
27 Sep 19	1884	eprint Group Limited	N	1.0	9.0
27 Sep 19	950	Lee's Pharmaceutical Holdings Limited	Y	1.0	4.0
19 Sep 19	484	Forgame Holdings Limited	Y	1.0	12.0
12 Sep 19	2198	China Sanjiang Fine Chemicals Company Limited	Y	3.0	10.0
3 Sep 19	1039	Fortunet E-Commerce Group Limited	N	3.0	6.5
21 Aug 19	1808	Enterprise Development Holdings Limited	N	0.5	8.0
8 Aug 19	217	China Chengtong Development Group Limited	N	1.0	9.0
2 Aug 19	308	China Travel International Investment Hong Kong Limited	N	3.0	5.225
19 Jul 19	950	Lee's Pharmaceutical Holdings Limited	N	1.0	4.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N) (Note)	Term (years)	Interest rate per annum (%)
12 Jul 19	631	Sany Heavy Equipment International Holdings Company Limited	Y	0.53	5.5
20 Jun 19	2280	HC Group Inc.	N	1.0	8.0
17 Jun 19	363	Shanghai Industrial Holdings Limited	N	1.0	5.0
14 Jun 19	950	Lee's Pharmaceutical Holdings Limited	N	1.0	4.0
8 Jun 19	363	Shanghai Industrial Holdings Limited	N	1.0	5.5
29 May 19	535	Gemdale Properties and Investment Corporation Limited	N	3.0	4.75
23 May 19	1104	APAC Resources Limited	Y	2.0	5.5
9 May 19	380	Softpower International Limited	Y	3.0	10.5
			Maximum	3.0	12.0
			Minimum	0.5	3.0
			Median	1.0	5.5
			Average	1.7	6.5
1 Nov 19	899	Asia Resources Holdings Limited	Y	0.48	5.25

Source: *The Stock Exchange of Hong Kong Limited*

Note: We consider the provision of collateral or guarantee as a principal term of a loan/financial assistance arrangement. We also consider that it is reasonable to assume there was no collateral or guarantee provided in the said Market Comparables if there is no disclosure on such in the respective announcements.

(a) *Interest Rate*

As illustrated by the above table, the interest rate of the Market Comparables ranges from 3.0% to 12.0%, with an average of approximately 6.5% and a median of approximately 5.5%. The comparison shows that the interest rate of 5.25% per falls within the range of the interest rates of the Market Comparables and is very close to their median interest rate. We are also of the view that the slight discrepancy between the interest rate of 5.25% and the average interest rate of the Market Comparables of 6.5% is reasonable, as nine out of the twenty-three Market Comparables have an interest rate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

below 5.25%, suggesting that the interest rate under the Supplemental Agreement is in line with the market rates. Accordingly, we consider such interest rate as fair and reasonable.

(b) Terms of maturity/Extended Payment Deadline

As illustrated by the above table, the terms of maturity of the Market Comparables ranges from approximately six months to three years with an average of approximately one year and eight months. The duration of the Supplemental Agreement from 1 November 2019 to 24 April 2020, being the dates between the entering of the Supplemental Agreement and the Extended Repayment Deadline, of approximately six months, is therefore in line with the aforesaid range of the Market Comparables. Accordingly, we consider the duration of the Supplemental Agreement is fair and reasonable.

(c) Collateral/guarantee/undertaking

As illustrated in the table above, eight of the twenty-three Market Comparables were secured by a collateral or guarantee while the remaining fifteen of them were unsecured. As such, it is not uncommon in the market that a loan/financial assistance arrangement between connected persons is secured by a collateral or guarantee similar to the Securities and undertaking provided by Mr. Li under the Supplemental Agreement.

As disclosed in the Board Letter, the completion of the entering into of the Supplemental Agreement is conditional upon Mr. Li having provided the Purchaser the Securities, which we consider as comparable to collaterals in similar loan/financial assistance arrangements, and we understand that the management of the Company considers the Securities as commercially comparable to the value of the Refund Amount if they were to sell the Securities to the market. Meanwhile, under his personal undertaking under the Supplemental Agreement, Mr. Li would be contractually obliged to pay the Purchaser damages to be calculated on a daily basis at an interest rate of 10% per annum on the outstanding amount payable to the Purchaser at the Extended Payment Deadline until the outstanding amount and the damages are fully repaid, if he fails to pay the Refund Amount on or before the Extended Repayment Deadline. We consider such personal undertaking as an additional protection for the interest of the Company and is similar to the guarantees undertaken in the cases of the Market Comparables. Given the above, we are of the view that the arrangement under the Supplemental Agreement is more secured than the loan/financial assistance arrangements of some of the Market Comparables.

Taking into consideration that the interest rate, the duration of the Supplemental Agreement, and the Securities and undertaking provided by Mr. Li are in line with those arrangements of the Market Comparables, we are of view that the terms of the Supplemental Agreement are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

II. The Securities

As stated in the Board Letter, the Board is of the view that Mr. Li would be able to repay by the Extended Repayment Deadline as Mr. Li would arrange his personal assets, i.e. the Securities, to secure his repayment. Such Securities include (i) a floating charge over the shares in certain companies listed on the Stock Exchange which are beneficially owned by Mr. Li (“**Charged Listed Shares**”), and (ii) a charge over his 80% equity interest in Spring Water Ding Dong (“**Charged Shares**”). In the event that Mr. Li could not repay the Refund Amount eventually, the Company would take possession of such assets and arrange for a reallocation of the Securities to repay the Refund Amount. Meanwhile, there is a risk that, at the material time of enforcement of the Securities, the value of all the Securities will not be sufficient to cover the Refund Amount, the interest and monetary compensation. In the event that, despite the enforcement of all the Securities, the proceeds are still not sufficient, the Purchaser will be entitled to demand Mr. Li to pay the shortfall and may also consider taking legal action against Mr. Li if he fails to do so.

To the best knowledge, information and belief of the Directors, the net liabilities of Spring Water Ding Dong as at 30 September 2019 was approximately HK\$46,933,000. However, we noted that the Board considers the value of the Securities as commensurate with the Refund Amount based on the reasons below:

(a) Charged Shares and the Valuation Report

With respect to the Charged Shares, according to the Valuation Report, which was conducted by adopting a discounted cash flow method under the income approach, Spring Water Ding Dong had an estimated market value of RMB1,610 million, with no impairment made since acquisition. Accordingly, 80% of its equity interests would amount to approximately RMB1,288 million, which prima facie exceeds the Refund Amount.

We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Valuer’s experiences in valuing entities in the PRC similar to Spring Water Ding Dong; (ii) obtaining information on the Valuer’s track records on other business valuations; (iii) inquiry on the Valuer’s current and prior relationship with the Group and other parties to the Supplemental Agreement; (iv) review of the terms of the Valuer’s engagement, in particular its scope of work, for the assessment of the equity interests of Spring Water Ding Dong; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

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(i) Valuer

We understand that Mr. Paul Hung (“**Mr. Hung**”), the director of the Valuer and the signor of the Valuation Report, among others, is a registered surveyor and member of the Royal Institution of Chartered Surveyors, and an accredited senior appraiser of the American Society of Appraisers with over 10 years of experience in conducting the business valuation. We have also obtained information on the Valuer’s track records on other business valuations and noted that the Valuer had been the valuer for a wide range of companies in Hong Kong and the PRC. As such, we are of the view that the Valuer and Mr. Hung are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the equity interests of Spring Water Ding Dong.

We have also enquired with the Valuer as to its independence from the Group and the parties to the Supplemental Agreement and were given to understand that the Valuer is an independent third party of the Group and its connected persons. The Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Group and its associates.

Furthermore, although the Valuation Report was prepared for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2019, we noted from the engagement letter entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report.

(ii) Valuation basis

We have reviewed the Valuation Report and understand that it was prepared based on a going concern premise and conducted on a fair value basis, and in accordance with the International Valuation Standards on business valuation published by International Valuation Standards Council.

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According to the Valuation Report, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Since no unusual matters had come to our attention that led us to believe that the Valuation Report was not prepared according to a fair value basis, we believe that the valuation forms a fair and reasonable basis for our further assessment on the valuation of the equity interests of Spring Water Ding Dong.

(iii) Valuation methodology

We have also discussed with the Valuer on the methodology adopted in valuing the equity interests of Spring Water Ding Dong as at 31 March 2019 and noted they had considered the three generally accepted valuation approaches, namely the asset approach, the market approach and the income approach.

According to the Valuation Report,

1. *“The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable;*
2. *The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised assets relative to the market comparative; and*
3. *The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.”*

According to the Valuer, since there were insufficient comparable transactions in the market to form a reliable basis for their opinion of value they considered that the market approach was not preferable for valuing the equity interests of Spring Water Ding Dong. The Valuer also considered the asset approach as not appropriate as it ignores the future growth potential of Spring Water Ding Dong. As such, the discounted cash-flow method under the income approach was adopted in valuing the equity interests of Spring Water Ding Dong.

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As stated in the Valuation Report, the discounted cash-flow method “is premised on the concept that the value is based on the present value of all future benefits that flow to the shareholder by applying an appropriate discount rate” and “requires a forecast to be made of cash flow, going out far enough into the future until an assumed stabilization occurs for the assets being appraised”. As such, in order to analyze whether the discounted cash-flow method is fair and reasonable for the valuation of the equity interests of Spring Water Ding Dong, we have considered the following:

Cash-flow forecast

In arriving at the valuation of the equity interests of Spring Water Ding Dong, the Valuer had performed the valuation of such based on the cash-flow forecast prepared and provided by the management of the Company and Spring Water Ding Dong (the “**Management**”). We have reviewed the said cash-flow forecast and noted that it was estimated by the Management that, revenue will mainly come from Spring Water Ding Dong’s manufacturing and sales of bottled water business over the forecast period. In this regard, we have obtained and reviewed the calculation spreadsheet of the aforementioned cash-flow forecast and discussed with the Management in relation to the underlying basis and assumptions. We understand that the cash-flow forecast was arrived at with reference to (i) the sales growth estimated based on Spring Water Ding Dong’s experience and future business plan; (ii) the operating expenses estimated based on Spring Water Ding Dong’s business plan; (iii) the level of capital expenditure and working capital determined with reference to historical figures and estimations based on Spring Water Ding Dong’s business plan; and (iv) a perpetual growth rate of 3% used to determine the terminal value. We understand that the Valuer was of the view that the underlying basis and assumptions of the cash-flow forecast were fair and representative, and as such, we consider that the cash-flow forecast formed a fair and reasonable basis in the Valuation Report.

Discount rate

As the adoption of the discounted cash flow method requires an appropriate discount rate for the equity interests of Spring Water Ding Dong, we noted that the Valuer had used the weighted average cost of capital (“**WACC**”) for the estimation of such. According to the Valuation Report, WACC comprises two components: cost of equity and cost of debt. The cost of equity was determined using the capital asset pricing model (the “**CAPM**”), which states that an investor requires excess returns to compensate systematic risks and that an efficient market provides

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no excess return for other risks. Hence, in determining the WACC for the equity interests of Spring Water Ding Dong, the Valuer conducted a valuation of the water procurement permit held by Spring Water Ding Dong using the multi-period excess earnings method, with the fair value of the water procurement permit being the sum of the discounted present values of the projected annual excess earnings (i.e. the operating profit attributed to the water procurement permit less the required return for its contributory tangible and intangible assets). We noted that the Valuer assumed that the level of the inherent risk of Spring Water Ding Dong and that of the water procurement permit were similar, and therefore they had applied the same WACC as the discount rate for the valuation of the equity interests of Spring Water Ding Dong and its water procurement permit. We concur with the Valuer in this regard and we consider the adoption of WACC as the discount rate as fair and reasonable.

Upon our discussion with the Valuer, we also noted that a discount for lack of marketability (“**DLOM**”) of 25% was employed in calculating the WACC, as Spring Water Ding Dong was a private company which was considered as less marketable compared to shares of the companies listed on the Stock Exchange. Marketability is defined as the ability to convert an investment into cash quickly at a known price at a minimal cost, and a DLOM is a downward valuation adjustment which is used to reflect an investment’s reduced level of marketability. We noted that the DLOM adopted by the Valuer was obtained from official guidelines for professional valuers¹, the source of reference has been reviewed by us and we noted that the DLOM of 25% was determined based on the average DLOM of approximately 26.65% derived from 20 restricted stock studies that cover several hundred transactions spanning from the late 1960s through 2013. Given that the DLOM adopted by the Valuer was determined based on empirical evidence, we consider such DLOM as fair and reasonable.

Given the above and the fact that the discounted cash-flow method under the income approach applied by the Valuer is one of the generally accepted methodologies adopted by professional valuers and is in compliance with the International Valuation Standards on business valuation published by International Valuation Standards Council, we consider that the methodology and basis adopted by the Valuer in determining the fair value of the equity interests of Spring Water Ding Dong was appropriate.

¹ Please refer to http://www.willamette.com/insights_journal/16/winter_2016_5.pdf

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(iv) Valuation assumptions

We noted that the Valuer had made various assumptions in the valuation of the equity interests of Spring Water Ding Dong due to the changing environment in which the company operated in. We have discussed with the Valuer and reviewed the principal assumptions made and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the principal assumptions adopted in the Valuation Report. For details on the valuation assumptions, please refer to the section headed “Value of assets subject to the charges” in the Board Letter.

(v) Our view on the Valuation Report

In assessing the fairness and reasonableness of the valuation, we have focused on assessing the accuracy and completeness of the information relied upon by the Valuer. In this regard, we have held discussions with the Management and the Valuer, reviewed the cash-flow forecast prepared by the Management, which sets out the basis for the revenue projection and the production capacity of Spring Water Ding Dong. Based on our assessment, we are of the view that the information and representations made to the Valuer are reliable and reasonable. Meanwhile, although the Valuation Report was dated back to 21 June 2019 and showed the appraised value of the equity interests of Spring Water Ding Dong as at 31 March 2019, and was prepared for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2019, we consider such valuation forms a reasonable reference for the current transaction, despite we understand that the underlying assumptions and factors of the Valuation Report, which by their nature are subjective and uncertain, may still differ from the actual circumstances. However, since nothing material subsequent to 31 March 2019 has come to our attention, we consider that such assumptions and factors are still appropriate as at the Latest Practicable Date. As such, we consider that the Valuation Report is an appropriate reference for valuing the equity interests of Spring Water Ding Dong in the current transaction. With 80% of the estimated equity interests of Spring Water Ding Dong being approximately RMB1,288 million, we are therefore of the view that the Charged Shares are not only commercially comparable to, but also prima facie exceeds the Refund Amount based on the Valuation Report.

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Finally, although it is currently infeasible to determine with absolute certainty as to whether the Securities would be able to recover the Refund Amount until the enforcement and realization of the above Securities due to the uncertainty on the latest fair value of the Charged Shares or the Charged Listed Shares, as well as the net liabilities or net assets value (as the case may be) of Spring Water Ding Dong, we noted from the section headed “Financial Information of Spring Water Ding Dong” in the Board Letter that, Spring Water Ding Dong recorded an unaudited net profit after tax of approximately HK\$12.6 million for the nine months ended 30 September 2019 despite its previous loss-making position for the year ended 31 December 2018, supporting the Directors’ and our view that the Charged Shares are commercially valuable.

(b) *Charged Listed Shares*

The details of the Charged Listed Shares are as follows:

Name of the Listed Company	Stock Code	Number of shares	Percentage of Shareholding	Market Value of the Shares (HK\$) as at the Latest Practicable Date	Encumbrance(s) (if any)
Asia Resources Holdings Limited	899	2,268,000,000	29.80%	111,132,000	Nil
Future Bright Mining Holdings Limited	2212	2,388,995,000	61.73%	193,508,595	Nil

As at the Latest Practicable Date, the aggregate market value of the Charged Listed Shares was HK\$304,640,595 (equivalent to approximately RMB271,626,695). Although such market value is lower than the Refund Amount, the aggregate of such market value with the value of the Charged Shares are in excess of the Refund Amount. In this regard, we concur with the Board that the value of the Securities is adequate in recovering the Refund Amount.

Given that the Group may liquidate all the Charged Listed Shares under the Securities if the value of the Charged Shares is insufficient to recover the Refund Amount, we have further evaluated the marketability of the Charged Listed Shares by reviewing their respective trading volume on the Stock Exchange during the past six-month, being the period from 1 August 2019 up to and including the Latest Practicable Date, details of which are set out in the table below.

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Historical monthly trading volume of the Charged Listed Shares during the past six-month

Months	% of average daily trading volume to total issued shares (Note 1)	
	<i>The Company</i>	<i>Future Bright Mining Holdings Limited (Stock code: 2212)</i>
2019		
August	0.009%	0.022%
September	0.011%	0.040%
October	0.061%	0.075%
November	0.006%	0.197%
December	0.005%	0.059%
2020		
January	0.06%	0.104%
3 February (Note 2)	0.022%	0%
Minimum	0.005%	0%
Average	0.025%	0.071%
Maximum	0.061%	0.197%

Source: *the website of the Stock Exchange*

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Charged Listed Shares for the month/period by the number of trading days during the month/period. The percentage of the average daily trading volume to total issued shares is calculated based on the average daily trading volumes of the Charged Listed Shares divided by the total issued share capital of the Company or Future Bright Mining Holdings Limited (as the case may be) at the end of each month or as at the Latest Practicable Date, as applicable.
2. Being the Latest Practicable Date.

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As set out in the above table, the average daily trading volume of the Company and Future Bright Mining Holdings Limited was approximately 0.025% and 0.071% of their total number of issued shares respectively during our review period. Whilst we consider the trading of the Charged Listed Shares as not too active, we consider it reasonable for small-cap companies like the those of the Charged Listed Shares. Given that the Group would only consider liquidating all Charged Listed Shares if the value of the Charged Shares is insufficient to recover Refund Amount, we are of the view that the Charged Listed Shares are a reasonable alternative resort for the Group to recover Refund Amount if Mr. Li fails to meet his repayment obligations.

As an additional analysis, we have also assessed the value of the Charged Listed Shares from the net asset value (“NAV”) perspective and noted that the NAV per share of the Company and Future Bright Mining Holdings Limited was approximately HK\$0.2908 and HK\$0.0244 as at the Latest Practicable Date. Multiplying the respective NAV per share of the Charged Listed Shares by the respective number of shares held by Mr. Li, the aggregate NAV of the Charged Listed Shares would amount to approximately HK\$717.8 million (equivalent to approximately RMB649.0 million), which is in excess of the Refund Amount.

In the event that Mr. Li fails to repay the Refund Amount or fulfil his obligation under the Supplemental Agreement, the Board would consider all possible actions, including but not limited to, taking legal actions, negotiating for further extension, requesting for further security/guarantee or enforcing the shares charges. For the Charged Shares, the Board consider that it may (i) keep the Charged Shares; (ii) liquidate the Charged Shares in the open market; or (iii) keep certain percentage of the Charged Shares as an investment and liquidate some of the shares of Spring Water Ding Dong in the open market. If the Group decided to hold the Charged Shares, the Group would appoint an independent valuer again to assess the value of the business of Spring Water Ding Dong. If its value is insufficient to recover the Refund Amount, the Group will liquidate all the Charged Listed Shares under the Securities. Otherwise, upon the transfer of the Charged Shares to the Group, Spring Water Ding Dong would indirectly become a wholly-owned subsidiary of the Group as the Group already held 20% equity interests in Spring Water Ding Dong.

For details on the advantages and disadvantages of, and the financial effects on the Group, upon enforcing the above arrangements, please refer to the sub-section headed “Value of assets subject to the charges” under the section headed “Reasons for agreeing the original payment deadline and accepting repayment by Mr. Li Yuguo” in the Board Letter, and the section headed “Financial effects of the Group upon full payment of the Refund Amount by Mr. Li Yuguo or the enforcement of Securities” in the Board Letter, respectively.

Taking into consideration our analysis in the above two sub-sections headed “Charged Shares and the Valuation Report” and “Charged Listed Shares”, we are of the view that the Supplemental Agreement would resolve the outstanding matters under the Acquisition.

4. Reasons for and benefits of the Supplemental Agreement

We were given to understand that, as at the Latest Practicable Date, over 90% of the construction of the Properties has been completed but since the construction of the Properties has been suspended since the first quarter of 2019, the possibility of timely delivery of the Properties is not high. Further, in August 2018, the local government had also adjusted its policy and cancelled school net arrangement in the nearby area, which affected the development of surrounding commercial areas and caused the loss of target customers for the Properties. In this regard, we have reviewed the PRC Legal Opinion and noted that the PRC lawyer advised that, inter alia, the Vendor should:

- (i) continue to perform its obligation under the Sale and Purchase Agreement; or
- (ii) rectify the problem of failing to carry out its contractual obligations; or
- (iii) refund and pay damages to the Purchaser.

It is concluded in the PRC Legal Opinion that the Purchaser should first consider terminating the Sale and Purchase Agreement and request for a refund of the Refund Amount and damages from the Vendor. Legal actions against the Vendor should remain as the last resort to protect the interests of the Purchaser.

After due consideration of the PRC legal opinion in relation to the termination of the Sales and Purchase Agreement, the management of the Company considered that the entering into of the Supplemental Agreement for settling the Refund Amount and damages from the Vendor and resolving the outstanding matters in connection to the Acquisition is one of the best, expediate and practicable option with minimum costs involved and is in the interests of the Company and the Shareholder as a whole.

In addition, we noted that the management of the Company currently considers the interest and compensation derived from the Supplemental Agreement as an attractive opportunity for the Company to generate interest income for the Group. In this regard, we have reviewed the financial information of the Company and noted that according to the 2019 Interim Report, the Company had bank balances and cash of approximately HK\$32.1 million and net current assets of approximately HK\$1,140.1 million as at 30 September 2019. We also have enquired with the Directors and confirmed that the Group currently does not have immediate needs for capital and has not identified any investment opportunities which require additional capital. As such, the Group does not require immediate payment of the Refund Amount and we concur with the Directors that the entering into of the Supplemental Agreement would provide a commercially reasonable return to the Group through the interest and compensation to be derived from the Refund Amount, which would otherwise remain idle in the Group's capital reserve.

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Furthermore, the completion of the Supplemental Agreement is conditional upon Mr. Li having provided the Purchaser the Securities as discussed in the previous section in this letter, which we consider as an indemnification for the Refund Amount and would safeguard the interest of the Group, especially when some of the assets covered by the Securities are located in Hong Kong instead of the PRC and therefore the enforceability of such securities is higher as the Directors are more familiar and confident with the Hong Kong legal system. Therefore, despite Mr. Li had failed to repay the Refund Amount, the related compensation and any interest accrued thereon under the Termination Agreement previously, we concur with the Directors that it is in the best interests of the Company and its Shareholders to enter into the Supplemental Agreement instead of taking legal actions against the Vendor and/or Mr. Li, as litigations would likely involve a significant amount of human, financial and time resources and their outcomes are often uncertain, while on the other hand, the entering into of the Supplemental Agreement would enable the Company to generate an additional interest income for the Group and in the event that Mr. Li failed to meet his repayment obligations again, the Company could resell the Securities to recover the Refund Amount and hence protect the Group's and the Shareholders' assets and interests

Nonetheless, as Mr. Li, the beneficial owner of the Vendor, is also a substantial Shareholder of the Company, we are of the view that the interest of the Company aligns with that of Mr. Li and hence the likelihood of default is relatively low. Our view is supported by the fact that, in view of the unlikelihood of timely delivery of the Properties, the Vendor and Mr. Li took their initiative to discuss with the Purchaser in mid-April 2019, which was far in advance of the delivery deadline, on the proposed termination of the Sale and Purchase Agreement and the compensation to the Group thereof.

Given that (i) the Supplemental Agreement would provide the Group with an additional commercially reasonable return from the Refund Amount which would otherwise remain idle in the Group's capital reserve, with an interest rate thereunder determined based on arm's length negotiations with reference to the prevailing market interest rate and with repayment arrangements in line with the market practices; (ii) the Supplemental Agreement affords adequate protection to the Group's and the Shareholders' assets as the Securities would provide an indemnification for the Refund Amount in the event that Mr. Li breached the Supplemental Agreement; (iii) the default risk is low as the interests of the Company and Mr. Li align; and (iv) the entering into of the Supplemental Agreement is an expediate and practicable option with minimum cost in resolving the outstanding matters in relation to the Acquisition, we are of the view that the entering into of the Supplemental Agreement and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that, despite the entering into of the Supplemental Agreement are not in the ordinary and usual course of business of the Company, the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution approving the Supplemental Agreement and the transactions contemplated thereunder at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution relating to the Supplemental Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. FINANCIAL INFORMATION OF THE GROUP

The published audited financial statements of the Group for each of the three years ended 31 March 2017, 2018 and 2019 were set out in the Company's annual reports for the each of three years ended 31 March 2017, 2018 and 2019, which can be accessed on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (<http://www.asiaresources899.com.hk>). Quick links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 March 2017:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0724/ltn20170724245.pdf>

Annual report of the Company for the year ended 31 March 2018:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0727/ltn20180727576.pdf>

Annual report of the Company for the year ended 31 March 2019:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0724/ltn20190724011.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2019, apart from the liabilities and normal trade and other payable in the ordinary course of business, the Group did not have outstanding mortgages, charges, debentures or other loan capital, debt securities, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL CHANGE

Reference is made to the profit warning announcement of the Company dated 21 November 2019 in relation to the expected loss for the six months ended 30 September 2019 and the interim results announcement of the Company dated 27 November 2019 for the same period. As disclosed in such announcements, the loss was mainly attributable to the loss on the sales of properties in Dalian during the Reporting Period. Please refer to the relevant announcements of the Company for further details.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statement of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry and taking into consideration the internal financial resources available to the Group, are of the opinion that, after entering into the Supplemental Agreement, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Revenue

For the six months ended 30 September 2019, the revenue of the Group was approximately HK\$168,618,000 (six months ended 30 September 2018: Nil). The increase in revenue was due to handover of properties in Dalian and start-up of selling bottled water products during the six months ended 30 September 2019. During the period, the Group recorded revenue from sales of properties and sales of bottled water products of approximately HK\$168,355,000 and HK\$263,000 respectively.

Cost of Sales

For the six months ended 30 September 2019, the Group's cost of sales was approximately HK\$208,922,000. The costs of properties and bottled water products sold were approximately HK\$208,726,000 and HK\$196,000 respectively.

Gross loss

The Group recorded a gross loss of approximately HK\$40,304,000 for the six months ended 30 September 2019. The gross loss was mainly attributable to loss to sales of properties in Dalian due to higher development costs suffered from the delay of the property development, and downturn of the property market in Dalian resulting a drop in the selling price.

Business Review

The Group continuously focuses its effort on our core business including water business, property development and property investment business. For the water mining business in Hunan, the production facilities are currently under construction and expected to commence production in 2020. For the property development business in Dalian, construction of the first phase has been completed and the Group commenced to handover the properties to the buyer from April 2019 onwards. The Group also endeavours to diversify its scope of business and product portfolio in order to diversify the risks from its existing businesses. During the six month ended 30 September 2019, the Group commenced sales of bottled water products in the PRC.

Water Business

Water Production and Sales

Since April 2017, the Group holds 20% equity interests of Spring Water Ding Dong. A wholly-owned subsidiary in Guangxi of Spring Water Ding Dong holds a water procurement permit for production and sales of bottled water and is currently in operation.

On 4 April 2019, the Group entered into a supply agreement with the Guangxi subsidiary of Spring Water Ding Dong to procure bottled water products. During the six months ended 30 September 2019, the Group recorded revenue from sales of bottled water products of approximately HK\$263,000 and the gross profit of approximately HK\$67,000. The gross profit margin was approximately 25%.

Water Mining

Since June 2017, the Group holds 67% equity interests of Good Union (China) Limited and indirectly holds its wholly-owned subsidiary in Hunan which holds a water mining licence for exploitation of spring water. The production facilities in Hunan are currently under construction and are expected to be completed in mid-2020.

For the six months ended 30 September 2019, the Group recorded revenue of approximately HK\$263,000 and a loss of approximately HK\$5,563,000 from water business segment. The loss mainly comprised operating expenses.

Property Business

Property Development

Dalian Properties

Our indirectly wholly-owned subsidiary in the PRC, Dalian Chuanghe Landmark Co Ltd.* (大連創和置地有限公司) (“**Dalian Chuanghe**”) continues engaging in the development of urban land for residential purpose in the real estate sector in Dalian and as planned to develop 55 buildings on the said land with 21 buildings in the first phase (“**Phase I**”) and 34 buildings in the second phase (“**Phase II**”).

Phase I named “Xin Tian Jia Yuan” had been completed in March 2019. There are 21 buildings established in Phase I with saleable areas 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 handover the properties to buyers from April 2019 onwards. For the six months ended 30 September 2019, approximately 25,930 square metres of properties had been handed

over and revenue of approximately HK\$168,355,000 was recorded. As at 30 September 2019, Dalian Chuanghe had pre-sale contracts of approximately RMB62,239,000 (of which deposits of RMB56,765,000 received) which represented contracted gross saleable areas of around 8,500 square metres.

For the Phase II, 34 buildings with 69,000 square metres are used as the saleable area. The initiation date is expected to be after the handover of the Phase I.

Property Investment

Yantian Properties

- (A) The Group entered into an acquisition agreement on 24 June 2014 (“**2014 Acquisition Agreement**”), 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 to be acquired represents 46 units of Jinma Creative Industry Park (formerly known as “**Kingma Information Logistic Park**”) which is situated at Depot No. 2, 3rd Road and Shenyan 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 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB90,000,000 in full in accordance with the payment terms stated in the 2014 Acquisition 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 have been issued in favour of the purchaser which is an indirectly wholly-owned subsidiary of the Group (the “**Jinma Industry Park Purchaser**”). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

- (B) The Group entered into the second acquisition agreement on 15 May 2015 (“**May 2015 Acquisition Agreement**”), 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 further purchase the property at a consideration of approximately RMB65,100,000 (equivalent to approximately HK\$81,400,000). The property to be acquired represents 30 units of Jinma Creative Industry Park with a total gross floor area of approximately 5,400 square metres.

As at 30 September 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB60,000,000 in full in accordance with the payment terms stated in the May 2015 Acquisition 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 has been 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 (“**November 2015 Acquisition Agreement**”), a supplemental agreement on 17 May 2017 and the second supplemental agreement on 3 May 2018 to further purchase the property at a consideration of approximately RMB101,600,000 (equivalent to approximately HK\$122,000,000). The property to be acquired, being a single-storey reinforced concrete building designated for office and storage uses, is the Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 30 September 2019, the Group had obtained physical possession of the property and paid a conditionally refundable deposit of RMB100,000,000 in full in accordance with the payment terms stated in the November 2015 Acquisition 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 has been 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 at the Latest Practicable Date, the vendor has still not registered the titles of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificates remained pending. The Company has engaged a PRC lawyer firm to negotiate with the vendor on this matter for the possible ways to resolve the same.

Zengcheng Properties

Reference is made to the announcements of the Company dated 15 April 2015, 5 June 2015, 27 August 2015, 15 June 2016 and 18 January 2017 in relation to the acquisition of certain properties located in Jinma Waterfront Square* (金馬水岸廣場). Given that the vendor failed to deliver the physical possession of the properties within the timeframe specified in the acquisition agreements, the Group served a termination notice to the vendor on 18 January 2017 and demand the refund of the consideration in the amount of RMB274,000,000 pursuant to the terms and conditions of the acquisition agreements and the payment of an additional sum representing not less than 3% thereof as compensation (details of which were

disclosed in the announcement dated 18 January 2017). As at 31 March 2019, the Group had totally received RMB212,000,000 for the refund of the paid consideration and the payment of the compensation. The Group has negotiated with the vendor and expected that the remaining balance of the refund will be received by 31 December 2019, failing which the Group may consider taking legal action against the vendor.

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 the Phase III of the 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 2019, the Group paid consideration of RMB200,000,000 in full in accordance with the payment terms stated in the acquisition agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the pre-sale agreement between the vendor and the purchaser, an indirectly wholly-owned subsidiary of the Company, in relation to the sale and purchase of the property having been entered into and the building owner certificate having been obtained by the purchaser. Currently, the Beijing Properties are under construction and are expected to be completed in 2020.

For the six months ended 30 September 2019, the Group recorded revenue of approximately HK\$168,355,000 and a loss of approximately HK\$49,863,000 from property development and investment segment. The loss mainly comprised loss on sale of Dalian Properties and operating expenses.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Director, chief executive of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are set out below:

Long positions in Shares as at the Latest Practicable Date:

Name of Chief Executive/Director	Number of Shares held (Note 1)			Approximate % of the issued share capital in the Company (Note 2)
	Personal interests	Corporate interests	Total	
Li Yuguo	2,268,000,000	–	2,268,000,000	29.80%
Liu Yan Chee James	104,800,000	–	104,800,000	1.38%
Yang Xiaoqiang	354,820,000	–	354,820,000	4.66%
Huang Yilin	70,000	–	70,000	0.00%
Wong Chun Man	1,650,000	–	1,650,000	0.02%

Notes:

- All interests stated are long positions.
- The percentage figures are based on the number of Shares in issue as at the Latest Practicable Date (i.e. 7,611,690,000 Shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in Shares and underlying shares of equity derivatives of the Company as at the Latest Practicable Date:

Name of substantial Shareholder	Capacity/nature of interests	Number of Shares held <i>(Note 1)</i>	Approximate % of the issued share capital in the Company <i>(Note 2)</i>
Li Yuguo	Beneficial owner	2,268,000,000	29.80%

Notes:

- All interests stated are long positions.
- The percentage figures are based on the number of Shares in issue as at the Latest Practicable Date (i.e. 7,611,690,000 Shares).

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable within one year without payment of compensation (other than statutory compensation).

5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the date of this circular and which was significant in relation to the business of the Group as a whole.

6. EXPERTS' CONSENTS AND QUALIFICATIONS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Pelican Financial Limited	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
AP Appraisal Limited	Property valuer

Pelican Financial Limited and AP Appraisal Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letter/valuation and all reference to their names in the form and context in which they appear.

As at the Latest Practicable Date, Pelican Financial Limited and AP Appraisal Limited were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Name of Director/associate	Name of company	Nature of interest in the company	Business of the company
Mr. Li Yuguo	遼寧京豐置業有限公司 (Liaoning Jingfeng Properties Co., Limited)	Ultimate beneficial owner with 100% interest	Principally engaged in property development, property leasing and sales

8. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 21 November 2019 in relation to the expected loss for the six months ended 30 September 2019 and the interim results announcement of the Company dated 27 November 2019 for the same period. As disclosed in such announcements, the loss was mainly attributable to the loss on the sales of properties in Dalian during the Reporting Period. Please refer to the relevant announcements of the Company for further details.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Company or any members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) A supply agreement dated 4 April 2019 entered into between Beijing Qiaofeng Commercial Trading Co. Ltd., a wholly owned subsidiary of the Company, as the purchaser and 廣西泉水叮咚飲品有限公司 (Guangxi Spring Water Ding Dong Beverages Co. Ltd.*), a wholly-owned subsidiary of Spring Water Ding

Dong, which is owned by Jiu Tai International Resources Company Limited and the Group, as the Supplier in relation to supply bottled water products for a consideration of RMB1,440,000. Please refer to the announcement of the Company dated 4 April 2019 for details;

- (b) A subscription agreement dated 17 April 2018 entered into between the Company and Mr. Li Yuguo, the chairman, executive Director and substantial Shareholder of the Company, in relation to the subscription for subscription of 1,268,000,000 Shares at a subscription price of HK\$0.25 per share. Please refer to the announcement and the circular of the Company dated 17 April 2018 and 5 June 2018 respectively for details;
- (c) The supplemental agreement dated 3 May 2018 to (i) the acquisition agreement dated 24 June 2014 in relation to acquisition of certain properties (the **"First Property"**) located in Jinma Creative Industry Park (formerly known as **"Kingma Information Logistic Park"**) (**"Jinma Creative Industry Park"**), a storage, research and development and commercial development situated at depot No. 2, 3rd Road and Shenyang Road Intersect, Inner Logistic Park, Yantian Bonded Area, Yantian District, Shenzhen City, the PRC, by 晟奕信息諮詢(深圳)有限公司 (transliterated as Shengyi Information Consulting (Shenzhen) Co., Ltd.*) (the **"Purchaser A"**), an indirect wholly-owned subsidiary of the Company, from 綜合信興鹽保物流(深圳)有限公司 (transliterated as ISH Yanbao Logistics (Shenzhen) Co. Ltd.*) (the **"Vendor A"**) (the **"2014 Acquisition Agreement"**) and its first supplemental agreement to the 2014 Acquisition Agreement dated 15 April 2015; (ii) the acquisition agreement dated 15 May 2015 in relation to the acquisition of certain properties (the **"Second Property"**) located in Jinma Creative Industry Park by the Purchaser A from the Vendor A (the **"May 2015 Acquisition Agreement"**) and the acquisition agreement dated 10 November 2015 in relation to the acquisition of certain properties (the **"Third Property"**, together with the First Property and the Second Property, the **"Properties"**) located in Jinma Creative Industry Park by the Purchaser A from the Vendor A (as supplemented by the supplemental agreement dated 17 May 2017) entered into between the Purchaser A and Vendor A in relation to the delay of registration of certain properties. Please refer to the Company's announcements dated 3 May 2018 and 10 May 2018 for details;
- (d) A disposal agreement dated 12 July 2018 entered into between the Company, Mr. Ye JunXiong, China Value Assets Limited and Merit Development Limited in relation to the disposal of the entire issued share capital of China Value Assets Limited and the entire issued share capital Merit Development Limited at a consideration of HK\$33,000,000. Please refer to the announcement of the Company dated 12 July 2018 for further details;
- (e) The Termination Agreement; and
- (f) The Supplemental Agreement.

11. GENERAL

- (a) The company secretary of the Company is Mr. Wu Ho Wai, a fellow member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The share registrar and transfer office of the Company is Tricor Secretaries Limited.
- (c) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at Room 2601, 26/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) Sale and Purchase Agreement;
- (b) Supplemental Agreement;
- (c) Termination Agreement;
- (d) the material contracts as referred to in the paragraph headed “10. Material Contracts” in this appendix;
- (e) the Bye-Laws;
- (f) the audited consolidated accounts for the Group for the years ended 31 March 2017, 31 March 2018 and 31 March 2019;
- (g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this circular;
- (h) the letter from Pelican Financial to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 42 of this circular;
- (i) the valuation report dated 21 June 2019 prepared by AP Appraisal Limited;
- (j) the written consents from Pelican Financial and AP Appraisal Limited referred to the paragraph headed “6. Experts’ Consents and Qualifications” of this appendix; and
- (k) this circular.

Asia Resources Holdings Limited
亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Asia Resources Holdings Limited (the “**Company**”) will be held at Empire Room 1, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 25 February 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (a) the supplemental agreement dated 1 November 2019 (the “**Supplemental Agreement**”), details of which are disclosed in the circular of the Company dated 6 February 2020, entered into between Asiaciti Investment Limited (the “**Purchaser**”) and Mr. Li Yuguo, in relation to, among other things, the extension of the repayment date of the full amount of RMB562,500,000 paid by the Purchaser to 遼寧京豐置業有限公司 (Liaoning Jingfeng Properties Co., Limited) (the “**Vendor**”) according to the agreement dated 12 October 2017 entered into between the Vendor and the Purchaser regarding the sale and purchase of the properties comprising Floors 7 to 35 of Building T3 under the Shenyang Commodity Housing Pre-sale Contract No. 16122 and the related compensation and interests to 24 April 2020, with an interest rate of 5.25% per annum (a copy of the Supplemental Agreement is marked “A” and produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and

* For identification purposes only

NOTICE OF SGM

- (b) any one Director be and is hereby authorised to do all such acts and things and sign, ratify and execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Supplemental Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/their opinion, in the interests of the Company and its shareholders.”

By Order of the Board
Asia Resources Holdings Limited
Liu Yan Chee James
Executive Director

Hong Kong, 6 February 2020

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, subject to the provisions of the bye-laws of the Company, vote in his/her stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than Sunday, 23 February 2020 at 11:00 a.m. (Hong Kong Time) or not less than 48 hours before the time for holding the said meeting or any adjourned meeting.
3. For determining the entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Thursday, 20 February 2020 to Tuesday, 25 February 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 19 February 2020.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof, should he/she so wish, and in such event, the authority of the proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to, but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect at the time of the Meeting, the Meeting will be held as scheduled unless further notice posted on the websites of the Company at <http://www.asiaresources899.com.hk> and the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.

Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

NOTICE OF SGM

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