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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Directors") of Asia Resources Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively refer to as the "Group") for the year ended 31 March 2020 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Continuing operations			
Revenue	*4*	**201,510**	32,760
Cost of sales		**(288,754)**	(31,732)
Gross (loss)/profit		**(87,244)**	1,028
Other gains	*5*	**27,950**	1,908
Other losses	*6*	**(60,825)**	(334)
Selling and distribution expenses		**(9,653)**	(5,918)
Administrative expenses		**(35,267)**	(32,947)
Share of results of associates		**(9,572)**	(17,152)
Provision for impairment loss on intangible assets	*12*	**(46,932)**	–
Provision for impairment loss on deposits paid		**(92,873)**	(1,087)
Provision for impairment loss on properties under development		**(28,033)**	(66,440)
Provision for impairment loss on completed properties held for sale		**(25,348)**	(72,821)
Provision for impairment loss on inventories		**(967)**	–
Gain on disposal of subsidiaries		**–**	638
Over-provision of land value added tax		**9,298**	36,628
Finance costs		**(358)**	(14,314)

* *For identification purpose only*

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Loss before taxation	*7*	**(359,824)**	(170,811)
Taxation	*8*	**4,904**	17,530
Loss for the year from continuing operations		**(354,920)**	(153,281)
Loss for the year from discontinued operations	*11*	**–**	(6,112)
Loss for the year		**(354,920)**	(159,393)
Other comprehensive income, net of tax			
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(9,520)
Share of other comprehensive income of associates		**131**	709
Exchange differences on translating foreign operations		**(63,792)**	(71,062)
Other comprehensive income for the year, net of tax		**(63,661)**	(79,873)
Total comprehensive income for the year		**(418,581)**	(239,266)
Loss attributable to:			
Owners of the Company	*9*	**(338,784)**	(158,640)
Non-controlling interest		**(16,136)**	(753)
		(354,920)	(159,393)
Total comprehensive income attributable to:			
Owners of the Company		**(402,080)**	(239,191)
Non-controlling interest		**(16,501)**	(75)
		(418,581)	(239,266)
		HK$	*HK$*
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic and diluted	*9*	**(0.045)**	(0.022)
From continuing operations			
– Basic and diluted	*9*	**(0.045)**	(0.021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**17,890**	7,616
Right-of-use assets		**2,910**	–
Intangible assets	*12*	**336,766**	384,875
Interests in associates	*13*	**201,076**	210,517
Deposits paid	*18*	**487,084**	1,150,860
		1,045,726	1,753,868
Current assets			
Properties under development	*14*	**218,330**	292,449
Completed properties held for sale	*15*	**99,265**	370,950
Inventories	*16*	**299**	–
Trade receivables	*17*	**234**	–
Prepayments, deposits and other receivables	*18*	**697,500**	168,786
Amount due from an associate	*13*	**2,420**	2,340
Financial assets at fair value through profit or loss		**2,855**	4,540
Income tax prepaid		**248**	248
Restricted bank deposits		**2,484**	–
Bank balances and cash		**46,063**	127,285
		1,069,698	966,598
Current liabilities			
Trade payables	*19*	**72,995**	81,071
Other payables and accruals		**61,833**	123,909
Contract liabilities		**52,966**	166,272
Lease liabilities		**2,356**	–
Tax payable		**435**	464
		190,585	371,716
Net current assets		**879,113**	594,882
Total assets less current liabilities		**1,924,839**	2,348,750

	2020	2019
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**76,117**	76,117
Reserves	**1,735,411**	2,137,491
Total equity attributable to owners of the Company	**1,811,528**	2,213,608
Non-controlling interest	**102,189**	118,690
	1,913,717	2,332,298
Non-current liabilities		
Deferred tax liabilities	**10,577**	16,452
Lease liabilities	**545**	–
	11,122	16,452
	1,924,839	2,348,750

Notes:

1. BASIS OF PREPARATION

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

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

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

The following new and amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial period beginning on 1 April 2019.

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int. 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than HK(IFRIC) – Int 23 and HKFRS 16 "Leases" ("HKFRS 16"), the application of the above amended standards which are effective for the financial period beginning on 1 April 2019 did not have material financial effect to the Group for the current and prior periods.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int. 4 "Determining whether an Arrangement contains a Lease", HK(SIC) 15 "Operating Leases — Incentives" and HK(SIC) 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int. 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int. 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for buildings and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term lease") (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019.

Financial impact at 1 April 2019

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (Decrease) *HK$'000*
Assets	
Increase in right-of-use assets	5,726
Decrease in prepayments	(184)
Increase in total assets	5,542
Liabilities	
Increase in lease liabilities	5,542

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	6,061
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	–
	6,061
Weighted average incremental borrowing rate as at 1 April 2019	8%
Discounted operating lease commitments as at 1 April 2019	5,542
Lease liabilities as at 1 April 2019	5,542

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group did not have the option to renew its building leases, therefore no renewal period was included as part of the lease term.

HK (IFRIC) – Int. 23 "Uncertainty over Income Tax Treatments"

HK (IFRIC) – Int. 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

(b) Issued but not yet effective HKFRSs

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial year ended 31 March 2020:

HKFRS 17	Insurance Contract [2]
HKFRS 3 (Amendments)	Definition of a Business [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material [1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2022

3 No mandatory effective date yet determined but available for adoption

HKFRS 3 (Amendments) "Definition of a Business"

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SEGMENT INFORMATION

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

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

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

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

(3) For trading business, the CODM regularly reviews the performance of the trading business. These operations have been aggregated into a single operating segment and named "Trading of goods".

Segment revenue and results

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

For the year ended 31 March

	Continuing Operations									
	Water business		Property development and investment		Trading of goods		Unallocated		Consolidation	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**268**	–	**201,242**	–	**-**	32,760	**-**	269	**201,510**	33,029
Total revenue	**268**	–	**201,242**	–	**-**	32,760	**-**	269	**201,510**	33,029
Segment results	**(57,739)**	(1,912)	**(272,534)**	(117,845)	**-**	397			**(330,273)**	(119,360)
Fair value loss on financial assets at fair value through profit or loss									**(1,685)**	(327)
Central administration costs									**(17,936)**	(21,869)
Loss on disposal of subsidiaries									**-**	(3,901)
Share of results of associates									**(9,572)**	(17,152)
Finance costs									**(358)**	(14,314)
Loss before taxation									**(359,824)**	(176,923)

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

Segment assets and liabilities

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

	Continuing Operations							
	Water business		Property development and investment		Trading of goods		Consolidation	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**371,019**	408,379	**1,496,306**	1,964,633	**–**	251	**1,867,325**	2,373,263
Unallocated corporate assets							**248,099**	347,203
							2,115,424	2,720,466
LIABILITIES								
Segment liabilities	**(5,120)**	(214)	**(159,077)**	(342,076)	**–**	–	**(164,197)**	(342,290)
Unallocated corporate liabilities							**(37,510)**	(45,878)
							(201,707)	(388,168)

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

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

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

Other segment information

	Continuing Operations									
	Water business		Property development and investment		Trading of goods		Unallocated		Consolidation	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Additions to property, plant and equipment	**12,444**	1,041	**40**	72	**–**	–	**62**	759	**12,546**	1,872
Depreciation	**(25)**	–	**(881)**	(931)	**–**	–	**(3,357)**	(692)	**(4,263)**	(1,623)
Other gains	**137**	3	**26,970**	115	**–**	–	**843**	1,790	**27,950**	1,908
Other losses	**344**	–	**(61,266)**	–	**–**	–	**97**	(344)	**(60,825)**	(344)
Provision for impairment loss on intangible assets	**(46,932)**	–	**–**	–	**–**	–	**–**	–	**(46,932)**	–
Provision for impairment loss on deposits paid	**–**	–	**(92,873)**	(1,087)	**–**	–	**–**	–	**(92,873)**	(1,087)
Provision for impairment loss on properties under development	**–**	–	**(28,033)**	(66,440)	**–**	–	**–**	–	**(28,033)**	(66,440)
Provision for impairment loss on completed properties held for sale	**–**	–	**(25,348)**	(72,821)	**–**	–	**–**	–	**(25,348)**	(72,821)
Provision for impairment loss on inventories	**(967)**	–	**–**	–	**–**	–	**–**	–	**(967)**	–
Over-provision of land value added tax	**–**	–	**9,298**	36,628	**–**	–	**–**	–	**9,298**	36,628

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**201,510**	–	**1,042,776**	1,753,247
Hong Kong	**–**	33,029	**2,950**	621
	201,510	33,029	**1,045,726**	1,753,868

Information about major customers

No customer contributed over 10% of total revenue of the Group during the year ended 31 March 2020.

During the year ended 31 March 2019, revenue of HK$32,760,000 was derived from sales of goods to one customer. This customer contributed over 10% of total revenue of the Group during the year ended 31 March 2019.

4. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Revenue from contracts with customers		
Sales of goods	**268**	32,760
Sales of properties	**201,242**	–
	201,510	32,760

Performance obligations

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

Sales of properties

The performance obligation is satisfied upon handover of the properties. There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020.

Sales of goods

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

5. OTHER GAINS

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Interest income on bank deposits	**342**	1,681
Dividend income from financial assets at fair value through profit or loss	**52**	26
Sundry	**608**	201
Compensation relating to termination of acquisition of Shenyang Properties	**12,610**	–
Interest income relating to termination of acquisition of Shenyang Properties	**14,338**	–
	27,950	1,908

6. OTHER LOSSES

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Compensation relating to delay of handover of properties	**(8,153)**	–
Exchange loss, net	**(52,672)**	(174)
Loss on disposal of property, plant and equipment	**–**	(160)
	(60,825)	(334)

7. LOSS BEFORE TAXATION

	2020	2019
	HK$'000	*HK$'000*
The Group's loss before taxation from continuing operations is arrived at after charging:		
Directors' emoluments	**3,377**	3,043
Other staff costs	**10,197**	5,561
Other staff's retirement benefits scheme contributions	**1,218**	667
Total staff costs	**14,792**	9,271
Auditors' remuneration		
– audit services	**960**	960
– non-audit services	**304**	756
	1,264	1,716
Depreciation of property, plant and equipment	**1,512**	1,525
Depreciation of right-of-use assets	**2,751**	–
Amortisation of land use right	**203**	150
Minimum lease payments under operating leases	**–**	2,486
Lease payment not included in the measurement of lease liabilities	**228**	–
Fair value loss on financial assets at fair value through profit or loss	**1,685**	327

8. TAXATION

Continuing Operations

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	23
– PRC Enterprise Income Tax	**–**	–
Total current tax expenses	**–**	23
Deferred income tax:		
– Decrease in deferred tax liabilities	**(4,904)**	(17,553)
Credit for the year	**(4,904)**	(17,530)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 March 2020.

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the years ended 31 March 2020 and 2019.

Deferred tax assets have not been recognised in respect of tax losses amounting to RMB41,591,000 and RMB37,800,000 as at 31 March 2020 and 31 March 2019 respectively, that will expire within 5 years for offsetting against future taxable profits. The tax losses of HK$107,498,000 as at 31 March 2020 (2019: HK$102,351,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before taxation (from continuing operations)	**359,824**	170,811
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**59,371**	28,184
Tax effect of share of result of associates	**(1,579)**	(2,830)
Tax effect of expenses not deductible for tax purposes	**(24,142)**	(21,706)
Tax effect of income not taxable for tax purposes	**6,802**	9,294
Tax effect of tax losses not recognised	**(34,788)**	(3,388)
Unrecognised deferred tax arising from temporary difference	**(23,840)**	(1,947)
Utilisation of tax losses previous not recognised	**125**	105
Tax reduction	**–**	20
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**22,955**	9,798
Tax credit for the year	**4,904**	17,530

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

From continuing and discontinued operations

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

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the year from continuing operations attributable to the owners of the Company	**(338,784)**	(152,588)
Loss for the year from discontinued operations attributable to the owners of the Company	**–**	(6,052)
	(338,784)	(158,640)

	2020	2019
	'000 Shares	*'000 Shares*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share *(Note)*	**7,611,690**	7,177,443

Note:

The basic and diluted loss per share from continuing and discontinued operations are the same for the years ended 31 March 2020 and 2019, as the effect of the share options and convertible notes would be anti-dilutive and were not included in the calculation of diluted loss per share.

From continuing operations

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

	2020	2019
	HK$'000	*HK$'000*
Loss for the year from continuing operations attributable to the owners of the Company	**(338,784)**	(152,588)

From discontinued operations

There was no basic loss per share from discontinued operations for the year (2019: HK$0.084 cents), as there was no loss for the year from discontinued operations attributable to the owners of the Company (2019: HK$6,052,000). The denominators used are the same as those detailed above for both basic and diluted loss per share.

The basic and diluted loss per share from discontinued operations are the same for the years ended 31 March 2019, as the effect of the share options and convertible bonds would be anti-dilutive and were not included in the calculation of diluted loss per share.

10. DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

11. DISCONTINUED OPERATIONS

For the year ended 31 March 2019, the Group disposed of the properties in Hangzhou and iron mining business operated in Indonesia ("Disposal Group").

As disclosed in the announcement of the Company dated 11 July 2018, having considered the keen market competition and the challenging environment, risks associated with the possible default by the borrowers, decline in lending interest rates, and opportunities for other new and more profitable businesses, management has resolved to cease the operation of its money lending business.

For the year ended 31 March 2019, the results and cash flows of money lending business and the Disposal Group are treated as discontinued operations and analysed as follows.

Analysis of discontinued operations

	2020	2019
	HK$'000	*HK$'000*
Loan interest income	–	269
Administrative expenses	–	(1,788)
Loss on disposal of subsidiaries	–	(4,539)
Loss on disposal of property, plant and equipment	–	(54)
Loss before taxation	–	(6,112)
Taxation	–	–
Loss for the year from discontinued operations	–	(6,112)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	–	(6,052)
Non-controlling interest	–	(60)
	–	(6,112)

	2020	2019
	HK$'000	*HK$'000*
The Group's loss for the year from discontinued operations is arrived at after charging:		
Directors' emoluments	–	155
Staff costs	–	204
Staff's retirement benefits scheme contributions	–	8
Total staff costs	–	367
Depreciation of property, plant and equipment	–	98
Minimum lease payments under operating leases	–	874
Cash flows from discontinued operations:		
Net cash used in operating activities	–	(139)
Net cash generated from investing activities	–	130
Net cash generated from financing activities	–	–
Net decrease in cash and cash equivalents	–	(9)
Effect of foreign exchange rate changes	–	–
Net cash outflow	–	(9)

12. INTANGIBLE ASSETS

	Land use right *(Note i)* *HK$'000*	Water mining licence *(Note ii)* *HK$'000*	Total *HK$'000*
Cost:			
As at 1 April 2018	–	374,699	374,699
Additions	10,602	–	10,602
Exchange realignment	11	(287)	(276)
As at 31 March 2019 and 1 April 2019	10,613	374,412	385,025
Exchange realignment	**(709)**	**(280)**	**(989)**
As at 31 March 2020	**9,904**	**374,132**	**384,036**
Accumulated amortisation and impairment:			
As at 1 April 2018	–	–	–
Amortisation for the year	150	–	150
As at 31 March 2019 and 1 April 2019	150	–	150
Amortisation for the year	**203**	**–**	**203**
Impairment loss for the year	**–**	**46,932**	**46,932**
Exchange realignment	**(15)**	**–**	**(15)**
As at 31 March 2020	**338**	**46,932**	**47,270**
Carrying amount:			
As at 31 March 2020	**9,566**	**327,200**	**336,766**
As at 31 March 2019	10,463	374,412	384,875

Notes:

(i) Land use right represents the right to use the land for water exploitation activities in Hunan. The land is located at 湖南新田縣新圩鎮新嘉公路三占塘段西側. The land use right is valid for 50 years.

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

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

Water mining licence is amortised on a straight-line basis over its estimated useful economic life. The useful economic life of the water mining licence was estimated with reference to the validity of the operation licence held and the productions plans of the Group. No amortisation was provided for the year ended 31 March 2020 as commercial production has not yet commenced during the year.

The Group is required to assess any indication of impairment on the water mining licence at the end of each reporting period. The Group has completed its annual impairment test for the water mining licence. The recoverable amount of the water mining licence was determined based on multi period excess earnings method which uses sum of discounted present value of the projected annual excess earnings. As at 31 March 2020, the recoverable amount of the water mining licence is referenced to valuation report issued by AP Appraisal Limited, an independent qualified valuer. This valuation uses cash flow projections based on financial estimates covering a twenty-year period.

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

	2020	2019
Net profit margin (% of revenue)	**24.34% to 30.15%**	20.07%
Long term annual growth rate used to extrapolate cash flows	**3%**	3%
Pre-tax discount rate	**13%**	16%

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

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

The discount rate is before tax and reflects specific risks.

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

13. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**210,517**	226,960
Share of post-acquisition losses and other comprehensive income during the year, net of dividends received	**(9,441)**	(16,443)
At the end of the year	**201,076**	210,517

	2020	2019
	HK$'000	*HK$'000*
Amount due from an associate	**2,420**	2,340

Notes:

(i) Amount due from an associate is unsecured, interest-bearing at 10% per annum and repayable within one year.

(ii) The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited ("Spring Water Ding Dong") and its wholly-owned subsidiary in Guangxi ("Guangxi Spring Water Ding Dong"). Guangxi Spring Water Ding Dong possesses a water procurement permit for production and sales of bottled water and is currently operating in Guangxi.

The Group completed its annual impairment test for interests in associates, Spring Water Ding Dong by comparing the recoverable amount to the carrying amount as at 31 March 2020 and 2019. The Group engaged AP Appraisal Limited to carry out a valuation of the interests in associates as at 31 March 2020 and 2019 based on the value-in-use calculations. This valuation uses cash flow projections based on financial estimates covering a ten-year period.

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

	2020	2019
Gross margin (% of revenue)	**29.85% to 34.79%**	59.73%
Long term annual growth rate used to extrapolate cash flows	**3%**	3%
Pre-tax discount rate	**12%**	13%

Gross margin is the average margin as a percentage of revenue over the ten-year forecast period. It is based on the current sales margin levels with adjustments made to reflect the expected future price adjustments in bottled water product which management does not expect to be able to pass on to customers through price changes.

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

The discount rate is before tax and reflects specific risks.

A decrease in the long term growth rate by 2% would cause the recoverable amount of the interests in associates decrease by approximately HK$36,205,000. A decrease in gross profit by 10% would cause the recoverable amount of the interests in associates decrease by approximately HK$33,734,000. An increase in the discount rate by 2% would cause the recoverable amount of the interests in associates decrease by approximately HK$71,681,000. In the opinion of the Directors of the Company, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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

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

Name of associates	Form of business and structure	Place of incorporation/ operation	Class of shares/ registered capital held	Proportion of nominal value of paid capital/registered capital held by the Group		Principal activities
				2020	2019	
Hong Kong Spring Water Ding Dong Group Company Limited	Incorporated	Hong Kong	Ordinary	**20%**	20%	Investment holding and water business
Guangxi Spring Water Ding Dong Beverages Company Limited*	Incorporated	The PRC	Registered	**20%**	20%	Production and sales of bottled water

Summarised financial information in respect of the Group's associates for the year ended 31 March 2020 and 2019 were set out below which represents amounts shown in the respective financial statements of the associates prepared in accordance with HKFRSs. The associates are accounted for using the equity method in the consolidated financial statements.

* *For identification purpose only*

	2020	2019
	HK$'000	*HK$'000*
Current asset	**21,125**	33,925
Non-current asset	**106,871**	121,515
Current liabilities	**177,632**	210,426
Revenue	**25,945**	17,712
Loss for the year	**(47,862)**	(85,760)
Other comprehensive income	**658**	3,544
Total comprehensive income	**(47,204)**	(82,216)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements.

	2020	2019
	HK$'000	*HK$'000*
Net liabilities of the associates as at acquisition date	**(33,841)**	(33,841)
Proportion of the Group's ownership interests in associates	**20%**	20%
Cost of investments in associates		
Unlisted in Hong Kong	**(6,768)**	(6,768)
Valuation adjustment from acquisition	**210,217**	210,217
Goodwill	**31,443**	31,443
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(33,816)**	(24,375)
Carrying amount of the Group's interests in associates	**201,076**	210,517

There is no commitment and contingent liabilities under the associates.

14. PROPERTIES UNDER DEVELOPMENT

	2020	2019
	HK$'000	*HK$'000*
Properties under development	**307,694**	358,956
Less: provision for impairment	**(89,364)**	(66,507)
	218,330	292,449

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

As at 31 March 2020, the balance included land use rights of approximately HK$113,130,000 (2019: HK$121,229,000).

For the year ended 31 March 2020, additional provision for impairment was recognised to reflect the decrease of net realisable value of properties under development.

The Group's properties under development at their book values are analysed as follows:

	2020	2019
	HK$'000	*HK$'000*
Located in the PRC, held on:		
Leases of between 10 and 50 years	**218,330**	292,449

As at 31 March 2019, land use right of approximately HK$121,229,000 was pledged to a bank for a recurring loan granted to a third party. The pledge was released during the year. For the details, please refer to note 20(4).

15. COMPLETED PROPERTIES HELD FOR SALE

	2020	2019
	HK$'000	*HK$'000*
Completed properties held for sale	**162,005**	497,839
Less: Provision for impairment	**(62,740)**	(126,889)
	99,265	370,950

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

For the year ended 31 March 2020, additional provision for impairment was recognised to reflect the decrease in net realisable value of the completed properties located in Dalian of the PRC.

16. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Merchandise	**1,241**	–
Less: Provision for impairment	**(942)**	–
	299	–

17. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**234**	–

The aging analysis of the Group's trade receivables as of each reporting date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 180 days	**234**	–
181 – 365 days	**–**	–
	234	–

The Group's trade receivables are denominated in RMB.

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

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**234**	–
Less than 90 days past due	**–**	–
	234	–

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Non-current assets:		
Deposits for acquisition of investment properties, net *(notes i and ii)*	**487,084**	1,150,860
Current assets:		
Deposits paid, net *(note ii)*	**614,689**	93,154
Prepayments	**1,560**	2,373
Amount due from the substantial shareholder *(note iii)*	**26,583**	–
Other receivables, net	**54,668**	73,259
	697,500	168,786

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

The other classes within prepayments, deposits and other receivables do not contain impaired assets.

Other receivables, net are denominated in the following currencies:

	2020	2019
	HK$'000	*HK$'000*
RMB	**54,564**	73,129
HK$	**104**	130
	54,668	73,259

Notes:

(i) Properties in Yantian

As at 31 March 2020, deposits paid of approximately HK$267,694,000 (net of provision for impairment of HK$5,218,000) (2019: HK$292,449,000) were related to three acquisitions of properties in Yantian where the physical possession of the properties has been delivered to the Group. According to the supplementary agreement disclosed in the announcement dated 3 May 2018, the titles of the three properties should be transferred to the Group before 30 December 2018. Nevertheless, according to the announcement dated 19 June 2019, the vendor has still not registered the title of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificate remained pending. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the ownership certificate matter. The Company has engaged a PRC law firm to negotiate with the vendor to resolve this matter.

Properties in Beijing

As at 31 March 2020, deposit paid of approximately HK$199,772,000 (net of provision for impairment of HK$18,558,000) (2019: HK$233,959,000) was related to acquisition of properties in Beijing. Details are set out in the announcement of the Company dated 28 February 2017.

Naming right of buildings in Shenzhen

As at 31 March 2020, deposit paid of approximately HK$19,618,000 (2019: HK$21,023,000) was related to naming right of two buildings located in Shenzhen. In current year, management has reclassified the deposit from current assets to non-current assets in order to conform with a fair presentation.

(ii) As at 31 March 2020, deposits paid were mainly relating to (1) acquisition of properties in Zengcheng of nil (net of provision for impairment approximately HK$67,682,000) (2019: approximately HK$71,440,000, net of provision for impairment approximately HK$1,088,000) and (2) acquisition of properties in Shenyang ("Shenyang Properties") of approximately HK$614,053,000 (2019: HK$624,452,000 classified under non-current assets).

Properties in Zengcheng

The acquisition of properties in Zengcheng was terminated on 18 January 2017. Based on the Group's historical credit loss experience, the Group recognised a loss allowance for expected credit loss on the deposits paid. The Group's legal advisors has issued demand letters to the vendor for the repayment of the remaining balance of the paid consideration and the related compensation. Appropriate legal action will be taken if the issue cannot be resolved.

Shenyang Properties

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

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

On 29 April 2020, the Company published an announcement on the event of default in relation to the payment of the Refund Amount and related compensation and interest accrued thereon. On 8 May 2020, the Company set up a special committee, with 3 independent non-executive directors as members, to handle the repayment and/or the recovery of the Refund Amount. The Company has engaged independent legal advisors to work with the Special Committee and the Special Committee will seek other professional advice so as to take appropriate actions if necessary to recover the Refund Amount and enforce the securities. Details of the event of default and the Special Committee are set out in the announcements of the Company dated 29 April 2020 and 8 May 2020 respectively.

Up to the date of this announcement, the Group has received a partial payment of Refund Amount and related compensation and interest of approximately HK$16,900,000.

(iii) As at 31 March 2020, amount due from the substantial shareholder, Mr. Li Yuguo, represented the compensation and interests receivable relating to the termination of the acquisition of Shenyang Properties as detailed in (ii).

19. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**72,995**	81,071

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

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**8,337**	29,322
91 to 180 days	**–**	–
181 to 365 days	**28,543**	13,135
Over 365 days	**36,115**	38,614
	72,995	81,071

The trade payables are non-interest bearing, normally settled within six month from receiving suppliers' invoices and denominated in RMB.

20. FINANCIAL GUARANTEE LIABILITIES

As at 31 March 2020, a wholly-owned subsidiary of the Company, 大連創和置地有限公司 ("大連創和"), incorporated in the PRC, provided corporate guarantees to third parties amounting to approximately RMB100,000,000 (2019: RMB200,000,000), detailed as follows:

(1) On 17 April 2014, 大連創和 provided a corporate guarantee to 大連銀行第一中心支行 ("大連銀行(一)") for a recurring bank loan of RMB50,000,000 granted to a third party, 大連東潤物資回收有限公司 ("大連東潤"). In 2017, 大連銀行(一) took a legal action against 大連東潤 for the recovery of the aforesaid loan. On 21 December 2017, 遼寧省大連市中級人民法院 (the "Court") ordered 大連東潤 to repay the loan to 大連銀行(一), together with relevant legal cost and interest. Since another independent guarantor of the loan, 大連順浩置業有限公司 ("大連順浩") has pledged its properties to 大連銀行(一) for this loan, it is believed that 大連銀行(一) can fully recover the loan and interest from the sales proceeds of the pledged properties.

(2) On 23 May 2014, 大連創和 provided a corporate guarantee to 大連銀行(一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連連隆物資有限公司 ("大連連隆"). In 2017, 大連銀行(一) took a legal action against 大連連隆 for the recovery of the aforesaid loan. On 28 December 2017, the Court ordered 大連連隆 to repay the loan to 大連銀行(一), together with relevant legal cost and interest. Since 大連順浩 has pledged its properties to 大連銀行(一) for this loan, it is believed that 大連銀行(一) can fully recover the loan and interest from the sales proceeds of the pledged properties.

(3) On 19 August 2014, 大連創和 provided a corporate guarantee to 大連銀行(一) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連澤琦貿易有限公司 ("大連澤琦"). In 2017, 大連銀行(一) took a legal action against 大連澤琦 for the recovery of the aforesaid loan. On 21 December 2017, the Court ordered 大連澤琦 to repay the loan to 大連銀行(一), together with relevant legal cost and interest. The loan principal of RMB50,000,000 has been repaid by 大連澤琦 on 30 December 2017. Since 大連順浩 has pledged its properties to 大連銀行(一) for this loan, it is believed that 大連銀行(一) can fully recover the outstanding interest from the sales proceeds of the pledged properties.

(4) On 13 July 2015, 大連創和 has pledged a land use right recorded as properties under development (note 14) to provide a guarantee to 大連銀行第三中心支行 ("大連銀行(三)") for a recurring bank loan of RMB50,000,000 granted to a third party, 大連博信高分子材料有限公司 ("大連博信"). In 2017, 大連銀行(三) took a legal action against 大連博信 for the recovery of the aforesaid loan. On 25 January 2018, the Court ordered 大連博信 to repay the loan to 大連銀行(三), together with relevant legal cost and interest. During the year ended 31 March 2020, this loan and its outstanding interest was repaid by 創達地產(大連)有限公司 ("創達地產") and pledge of the land use right was released accordingly.

(5) On 23 November 2015, 大連創和 provided a corporate guarantee to 大連銀行(三) for a recurring bank loan of RMB50,000,000 granted to a third party, 大連鑫海盛建設工程有限公司 ("大連鑫海盛"). In 2017, 大連銀行(三) took a legal action against 大連鑫海盛 for the recovery of the aforesaid loan. On 25 January 2018, the Court ordered 大連鑫海盛 to repay the loan to 大連銀行(三), together with relevant legal cost and interest. Another independent guarantor of the loan, 創達地產 pledged its properties to 大連銀行(三) for this loan. During the year ended 31 March 2020, this loan and its outstanding interest was repaid by 創達地產 and the corporate guarantee provided by 大連創和 was released accordingly.

Correspondingly, 大連創和 obtained counter-guarantees by 創達地產. 創達地產 undertook any legal disputes and economic losses that may be suffered by 大連創和 in relation to all the aforesaid corporate guarantees and pledge.

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

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

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

21. MATERIAL RELATED PARTY TRANSACTIONS

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

(A) Transactions relating to a substantial shareholder

(i) During the year ended 31 March 2020, the Group terminated the agreement to acquire properties located at Shenyang from 遼寧京豐置業有限公司 (the "Vendor"). The Vendor is beneficially owned by Mr. Li Yuguo, who is a substantial shareholder, the chairman and the executive Director of the Company. For the details, please refer to note 18(ii). Relating to the termination of the acquisition, compensation and interest income are recognised as follows:

	2020	2019
	HK$'000	*HK$'000*
Compensation relating to termination of acquisition of Shenyang Properties	**12,610**	–
Interest income relating to termination of acquisition of Shenyang Properties	**14,338**	–
	26,948	–

(ii) On 4 April 2019, the Group entered into a supply agreement with the associate, 廣西泉水叮咚飲品有限公司, pursuant to which the associate has agreed to supply, and the Group has agreed to procure bottled water products. During the year ended 31 March 2020, the total consideration paid by the Group was RMB1,418,340 (2019: Nil). Details of which are set out in the announcement of the Company dated 4 April 2019.

(B) Compensation of key management personnel

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

	2020	2019
	HK$'000	*HK$'000*
Short-term benefits	**3,286**	3,077
Retirement benefit scheme	**91**	121
	3,377	3,198

22. CAPITAL COMMITMENTS

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

	2020	2019
	HK$'000	*HK$'000*
Contracted but not provided for:		
Acquisition of investment properties *(Note)*	**42,330**	157,937
Property development expenditure	**99,935**	149,008
Construction in-progress for water exploitation activities in Hunan	**772**	677
	143,037	307,622

Note: On 12 October 2017, the Group entered into a sale and purchase agreement with 遼寧京豐置業有限公司 (the "Vendor"). The Group agreed to acquire properties located at Shenyang from the Vendor at the consideration of RMB625,000,000. The Vendor is beneficially owned by Mr. Li Yuguo, who is a substantial shareholder, the chairman and the executive Director of the Company. As at 31 March 2019, the Group has paid RMB528,763,800 for the transaction and committed to settle the remaining amount, RMB96,236,200, in accordance to terms in the sale and purchase agreement. For details of the transaction, please refer to the announcement of the Company dated 22 January 2018.

However, on 24 April 2019, the Group entered into a termination agreement with the Vendor to terminate the sale and purchase agreement. For details of the termination agreement, please refer to the announcement of the Company dated 24 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020 (the "Year"), the revenue from continuing operations of the Group was approximately HK$201,510,000. The revenue for the Year was mainly attributable to the handover of properties in Dalian and start-up of sales of bottled water products. For the Year, the Group recorded revenue from sales of properties and sales of bottled water products of approximately HK$201,242,000 and HK$268,000 respectively.

For the year ended 31 March 2019, the revenue from continuing operations of the Group was approximately HK$32,760,000 which was attributable to trading business.

Cost of Sales

For the Year, the Group's cost of sales from continuing operations was approximately HK$288,754,000, of which the costs of properties and bottled water products sold were approximately HK$288,565,000 and HK$189,000 respectively.

For the year ended 31 March 2019, the cost of trading goods was approximately HK$31,732,000.

Gross Loss

The Group recorded a gross loss from continuing operations of approximately HK$87,244,000 for the Year. The gross loss was mainly attributable to loss on sales of properties in Dalian due to higher development costs suffered from the delay of property development and downturn of the property market in Dalian resulting in a drop in selling price.

For the year ended 31 March 2019, the Group recorded a gross profit from continuing operations of approximately HK$1,028,000 from trading business.

Other Gains

For the Year, the Group recorded other gains of approximately HK$27,950,000 (2019: HK$1,908,000). The increase was mainly due to compensation and interest income relating to termination of acquisition of Shenyang properties.

Other Losses

For the Year, the Group recorded other losses of approximately HK$60,825,000 (2019: HK$334,000). The increase was mainly due to exchange loss derived from depreciation of Renminbi.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of agency fee, promotion fee and advertising expenses, which were approximately HK$9,653,000 for the Year (2019: HK$5,918,000). The increase was mainly due to sales of properties in Dalian and start-up of sales of bottled water products.

Administrative Expenses

Administrative expenses primarily consist of directors' emoluments, other staff costs and benefits, depreciation, legal and professional fee and other general office expenses, which were approximately HK$35,267,000 for the Year (2019: HK$32,947,000). The increase was mainly due to increase in the number of staff.

Material Impairment Losses

For the Year, the Group provided impairment losses on intangible assets, deposits paid, completed properties held for sale and properties under development of approximately HK$46,932,000 (2019: Nil), HK$92,873,000 (2019: HK$1,087,000), HK$25,348,000 (2019: HK$72,821,000) and HK$28,033,000 (2019: HK$66,440,000) respectively.

These impairment losses were mainly because the values of the corresponding assets of the Group in the PRC are adversely affected by the Sino-US trade dispute and the novel coronavirus ("COVID-19") pandemic. Details are set out in the section headed "BUSINESS REVIEW" of this announcement.

Share of Results of Associates

Share of losses of associates was approximately HK$9,572,000 (2019: HK$17,152,000). Decrease in losses was because the associates have a significant growth in sales and a decrease in production costs in the Year.

Loss Attributable to Owners of the Company

The Group recorded a loss attributable to the owners of the Company of approximately HK$338,784,000 for the Year (2019: HK$158,640,000). The increase in loss was mainly due to (i) the gross loss from sales of properties in Dalian; (ii) the impairment loss on properties under development; (iii) the impairment loss on completed properties held for sale; (iv) the impairment losses on deposits paid; (v) impairment losses on intangible assets; (vi) share of losses of associates; and (vii) exchange losses.

Basic and diluted loss per share from continuing and discontinued operations for the Year was HK$0.045 (2019: HK$0.022).

BUSINESS REVIEW

The Group continuously focuses its effort on its core business including water business, property development and property investment business.

Affected by Sino-US trade dispute and COVID-19 pandemic, the PRC's economic growth has slowed down, Renminbi has depreciated and the values of assets in the PRC are impaired. The Group also suffered a significant impact on its core business from these factors.

Water Business

The Group recorded a loss from water business segment of approximately HK$57,739,000 for the Year (2019: HK$1,912,000). The loss mainly comprised (i) impairment loss on intangible assets; and (ii) operating expenses.

Water Production and Sales

The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited ("Spring Water Ding Dong") and its wholly-owned subsidiary in Guangxi ("Guangxi Spring Water Ding Dong"). Guangxi Spring Water Ding Dong possesses a water procurement permit for production and sales of bottled water and is currently operating in Guangxi.

During the Year, the Group shared losses of associates of approximately HK$9,572,000 (2019: HK$17,152,000), which were mainly caused by the depreciation of property, plant and equipment and amortization of water procurement permit. Decrease in losses was because Guangxi Spring Water Ding Dong have a significant growth in sales and a decrease in production costs in the Year.

On 4 April 2019, the Group entered into a supply agreement with Guangxi Spring Water Ding Dong to procure bottled water products for trading. Guangxi Spring Water Ding Dong is beneficially owned as to 80% by Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company. Details of the supply agreement are set out in the announcement of the Company dated 4 April 2019. During the Year, the Group recorded revenue from sales of bottled water products of approximately HK$268,000 and gross profit of approximately HK$79,000. The gross profit margin was approximately 29.5%.

Water Mining

The Group holds 67% equity interests in Good Union (China) Limited which has a wholly-owned subsidiary in Hunan. It possesses a water mining licence for exploitation of mineral water in Hunan. Due to the outbreak of COVID-19 since January 2020, the construction works of factory are suspended and delayed. We have been actively communicating with the local government authorities and contractors in order to resume the construction works as soon as possible. We expected the construction works will be resumed in the second half of 2020 and will be completed in mid-2021. The production is expected to commence in late 2021.

The Group reviewed the fair value of the water mining licence as at 31 March 2020 with reference to a valuation report issued by an independent qualified valuer and an impairment provision of approximately HK$46,932,000 (2019: Nil) was made for the Year. Details of the valuation method and key assumptions and the impairment assessment are set out in note 12 to the consolidated financial statements.

In accordance with the sale and purchase agreement dated 23 May 2017, the vendor, who is currently the minority shareholder of Good Union (China) Limited, has committed a production volume guarantee on Hunan project from 2019 to 2028. For details, please refer to the announcement of the Company dated 23 May 2017. The Group is currently negotiating with the vendor for the compensation of 2019. The Group may engage other professionals to verify the amount of compensation.

Property Development and Property Investment Business

The Group recorded a loss from property development and investment segment of approximately HK$272,534,000 for the Year (2019: HK$117,845,000). The loss is mainly comprised of (i) gross loss on sales of properties in Dalian; (ii) impairment losses on properties under development and completed properties held for sales located in Dalian; (iii) impairment losses on deposits paid for property investments in Yantian, Beijing and Zengchang of Guangdong Province; (iv) exchange losses; and (v) operating expenses.

Property Development

Dalian Properties

Our indirect wholly-owned subsidiary in the PRC, Dalian Chuanghe Landmark Co Ltd.* (大連創和置地有限公司) ("Dalian Chuanghe"), engages in the development of urban land for residential usage in Dalian and plans to develop 55 buildings on the said land with 21 buildings in the first phase ("Phase I") and 34 buildings in the second phase ("Phase ll").

Phase l named "Xin Tian Jia Yuan" has been completed in March 2019. There are 21 buildings established in Phase I with total saleable area of approximately 42,540 square metres including 4 eight-storey apartments (小高層), 9 garden villas (洋房) and 8 garden houses (聯排別墅). Dalian Chuanghe commenced to handover the properties to buyers in April 2019. For the Year, approximately 30,723 square metres of properties have been handed over and revenue of approximately HK$201,242,000 (2019: Nil) was recorded. As at 31 March 2020, Dalian Chuanghe had sale contracts with contract amount of approximately RMB48,264,000 with gross saleable areas of around 6,611 square metres. The properties under these sales contracts are expected to be handed over in the near future.

For Phase II, there are 34 buildings with aggregate saleable area of approximately 69,000 square metres. Due to the outbreak of COVID-19, we have re-scheduled the development of Phase II and the construction of Phase II is expected to commence in around 2021.

Since the Sino-US trade dispute and COVID-19 pandemic led to the slowdown of economic growth and drop in assets price in the PRC, the selling price of Xin Tian Jia Yuan was adversely affected. Besides, the delay and long period of property development caused higher development costs. Therefore, the Group suffered a gross loss of approximately HK$87,323,000 from sales of properties and further impairment losses were recognised on completed properties held for sale and properties under development.

The Group reviewed the market value of the completed properties held for sale and properties under development as at 31 March 2020 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. Provision for impairment losses of approximately HK$25,348,000 (2019: HK$72,821,000) and HK$28,033,000 (2019: HK$66,440,000) were made for the Year for completed properties held for sale and properties under development respectively.

* *For identification purpose only*

Property Investment

Yantian Properties

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

The property comprises 46 units of Jinma Creative Industry Park (formerly known as "Kingma Information Logistic Park") which is situated at Depot No. 2, 3rd Road and 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 31 March 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB90,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB10,000,000 shall be paid within 30 days from the date on which the relevant building ownership certificates are issued in favour of the purchaser which is an indirect wholly-owned subsidiary of the Company (the "Jinma Industry Park Purchaser"). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

* *For identification purpose only*

As at 31 March 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB60,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB5,100,000 shall be paid within 30 days from the date on which the property 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, a supplemental agreement on 17 May 2017 and the second supplemental agreement on 3 May 2018 to purchase additional property at a consideration of approximately RMB101,600,000 (equivalent to approximately HK$122,000,000). The property acquired, being a single-storey reinforced concrete building designated for office and storage uses located at Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 31 March 2020, the Group had obtained physical possession of the property and paid conditionally refundable deposit in the aggregate sum of RMB100,000,000 in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB1,600,000 shall be paid within 30 days from the date on which the property 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 date of this announcement, the vendor has still not registered the titles of the properties under the name of the Jinma Industry Park Purchaser. The approval from the PRC government authority for issuing the building ownership certificates remained pending. In May 2020, the Company received a letter from the vendor requesting for an extension of the deadline to 31 December 2020 for handling the matter of building ownership certificates. The Company has engaged a PRC law firm to negotiate with the vendor to resolve this matter.

The Group reviewed the market value of Yantian Properties (A), (B) and (C) as at 31 March 2020 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. A provision for impairment loss on deposits paid for Yantian Properties of approximately HK$5,358,000 (2019: Nil) was made for the Year.

Beijing Properties

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

As at 31 March 2020, the Group paid the consideration of RMB200,000,000 in accordance with the payment terms stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the execution of the pre-sale agreement between the vendor and the purchaser, an indirect wholly-owned subsidiary of the Company and the building ownership certificate having been obtained by the purchaser. In May 2020, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for an extension of handover of the properties. Due to the outbreak of COVID-19, the construction works have been suspended and not yet resumed. The vendor will resume the construction works as soon as possible and make best efforts to complete the construction on or before 31 December 2020.

The Group reviewed the market value of Beijing Properties as at 31 March 2020 with reference to a valuation report issued by an independent qualified valuer using market approach in the assessment of the valuation. A provision for impairment loss on deposits paid for Beijing Properties of approximately HK$19,057,000 (2019: Nil) was made for the Year.

Shenyang Properties (Terminated)

The Group entered into a sale and purchase agreement on 12 October 2017 to purchase the properties at a total consideration of RMB625,000,000 (subject to adjustment). The properties comprise Floors 7 to 35 of Building T3 situated at 46 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, PRC with a gross floor area of approximately 34,754.58 square metres, while the gross floor area of office is approximately 30,480.96 square metres.

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

* *For identification purpose only*

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

On 29 April 2020, the Company published an announcement on the event of default in relation to the payment of the Refund Amount and related compensation and interest accrued thereon. On 8 May 2020, the Company set up a special committee, with 3 independent non-executive directors as members, to handle the repayment and/or the recovery of the Refund Amount. The Company has engaged independent legal advisors to work with the Special Committee and the Special Committee will seek other professional advice so as to take appropriate actions if necessary to recover the Refund Amount or enforce the securities. Details of the event of default and the Special Committee are set out in the announcements of the Company dated 29 April 2020 and 8 May 2020 respectively.

Up to the date of this announcement, the Group has received a partial payment of Refund Amount and related compensation and interest of approximately HK$16,900,000. The Group will continue to negotiate with Mr. Li Yuguo and will consider all possible ways to recover the Refund Amount and the related compensation and interests.

Zengcheng Properties (Terminated)

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 demanded 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 2020, the Group has received an aggregate sum of RMB212,000,000 as partial refund of the paid consideration and the payment of compensation. The Group's legal advisors has issued demand letters to the vendor for the repayment of the remaining balance of the paid consideration and the related compensation. Up to the date of this announcement, no reply has been received from the vendor. The Group is closely following up the repayment status and considering to take further legal action against the vendor if appropriate.

* *For identification purpose only*

After reviewing the past repayment history, the amount of time past due of the refundable amount and the behavior of the vendor, the Directors are of the view that there is difficulty in debt collection because the repayment ability of the debtor is adversely affected by (i) the economic downturn; and (ii) the COVID-19 pandemic which affected the cash flow of the debtor. As such, full impairment of the outstanding refundable amount has been provided as at 31 March 2020 and a provision for impairment loss on deposit paid for Zengcheng Properties of approximately HK$68,458,000 (2019: HK$1,087,000) was made for the Year.

Trading Business

The Group strives to seek profitable trading business in order to enhance the diversity of our business and increase revenue. For the year ended 31 March 2019, the Group traded electric wires in Hong Kong on one-off and trial basis and recognised a revenue of approximately HK$32,760,000 and a gross profit of approximately HK$397,000. During the Year, the Group traded bottled water products in the PRC on an one-off and trial basis as set out in the subsection headed "Water Production and Sales" above. Due to the outbreak of COVID-19 in early 2020, our sales plan has been hugely affected and only minimal sales were recorded in 2020. The Group will consider, depending on the actual market circumstances and opportunities, to identify new sources of general merchandises and engage in trading business in Hong Kong, the PRC or elsewhere.

Response to outbreak of COVID-19

Since mid-January 2020, COVID-19 spread widely in the PRC. Facing the grim situation of the COVID-19 outbreak, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, during this critical period, the Group has proactively taken steps in ensuring stable operations.

The Group is coordinating with various parties from time to time and takes swift actions whenever necessary. It actively discusses with the vendors and customers on the effect of delay in the delivery due to the traffic restrictions imposed by the PRC government authorities. The Group also implements various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

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

Environmental Policies and Performance

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

Compliance with Laws and Regulations

During the year ended 31 March 2020, there was no incident of significant non-compliance with any relevant laws and regulations for the Group.

Relationship with Suppliers, Customers and other Stakeholders

During the year ended 31 March 2020, there were no material and significant dispute between the Group and its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group had significant investments in equity securities classified as financial assets at fair value through profit or loss. The details are set out as follows:

Stock code	Name of Investee company	Number of shares held as at 31 March 2020	Percentage of shareholdings as at 31 March 2020	Carrying amount as at 31 March 2019	Unrealised fair value loss for the year ended 31 March 2020	Fair value as at 31 March 2020	Percentage of total financial assets at fair value through profit or loss as at 31 March 2020	Percentage of total assets of the Group as at 31 March 2020
				HK$'000	*HK$'000*	*HK$'000*		
640	Infinity Development Holdings Company Limited	1,000,000	0.17%	610	110	720	25.22%	0.03%
747	Shenyang Public Utility Holdings Company Limited	13,100,000	2.16%	3,930	(1,795)	2,135	74.78%	0.10%
				4,540	(1,685)	2,855	100.00%	0.13%

Brief description of the principal business and the future prospect of the investee companies based on the information published by those investee companies are set out below:

Name of investee company	**Principal business and future prospect**
Infinity Development Holdings Company Limited	That company is principally engaged in the manufacturing and sales of adhesives, primers, hardeners, vulcanized shoes adhesive related products used by the footwear manufacturers and acting as the sales agent for adhesive used in the production of electronic products. As disclosed in the interim results announcement of that company for the six months ended 31 March 2020, in view of the current epidemic effect upon the global, it is difficult to predict how long it will last. The market currently adopts a wait and see approach to the epidemic effect. As such, it is more difficult for the Board of the company to predict the sales performance of the Company in 2020. Due to the global demand for footwear still growing continually, more stringent requirement from the manufacturers for the quality of adhesives which would gradually eliminate industry players with less competitiveness, the demand for the use of environmental water-based adhesive products by footwear brands and manufacturers still growing, the effect of the previous regional deployments of the Company has become prominent under the changes in the market. The Company has been maintaining good relationships with our prestige customers for a number of years. As such, the Board of the Company expects that the growth of the Company's sales in the medium to long term will remain stable. The Company will devote necessary resources to further increase its market share if appropriate.
Shenyang Public Utility Holdings Company Limited	That company's principal businesses is construction of infrastructure and development of properties. As disclosed in the annual report of that company for the year ended 31 December 2019, the Company will actively cope with the severe economic environment locally and abroad, stabilise existing businesses and strictly monitor operational risks. At the same time, it will actively explore projects with higher development prospects and optimise resource allocation to enhance the Group's overall capabilities.

The Directors believe that the future performance of the equity securities of those companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, capital market conditions, investor sentiment and the business performance of the investee companies. The Board will continue to look for attractive investment opportunities which can generate better returns to its shareholders from time to time. Save as disclosed above, there were no other significant investments by the Group during the year ended 31 March 2020.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

SHARE CAPITAL

As at 31 March 2020, the total number of issued ordinary shares of the Company was 7,611,690,000 (2019: 7,611,690,000).

FUND RAISING ACTIVITIES OF THE GROUP

Placing of Shares on 3 August 2018

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

Up to 31 March 2020, the Group had used the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Actual use of net proceeds	Actual allocation of net proceeds		Utilisation up to 31 March 2020	Remaining balance of net proceeds as at 31 March 2020
	HK$'million	*% of net proceeds*		*HK$'million*	*% of net proceeds*	*HK$'million*	*HK$'million*
Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	5.6	50.4
Potential acquisition of business or companies	213.0	67.3%	Acquisition of Shenyang Properties	213.0	67.3%	213.0	–
Working capital of the Group	47.5	15.0%	Working capital of the Group	47.5	15.0%	29.7	17.8
	316.5	100.0%		316.5	100.0%	248.3	68.2

With a view to putting the Company's resources to a better use, the Board had therefore temporarily re-allocated the aforesaid unutilised net proceeds for the use of acquisition of Shenyang Properties. As disclosed in the announcements dated 24 April 2019, 1 November 2019, 29 April 2020 and 8 May 2020, the acquisition of Shenyang Property had been terminated and the Group will consider all possible ways to recover the Refund Amount of RMB562.5 million and related compensation and interests. The Board will deploy the unutilised net proceeds of approximately HK$68.2 million back to the capital expenditure on production facilities of Hunan Xintian and working capital of the Group as and when appropriate after taking into account the market environment at the material time.

The unutilised net proceeds for the use of the capital expenditure on the production facilities of Hunan Xintian is expected to be used between September 2020 to late 2021 and that for the use of working capital will continue to be used on the daily operations of the Group.

CAPITAL STRUCTURE

Total equity attributable to owners of the Company decreases from approximately HK$2,213,608,000 as at 31 March 2019 to approximately HK$1,811,528,000 as at 31 March 2020. The decrease arose from the loss attributable to owners of the Company. There were no other material change in the capital structure of the Group during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK$2,115,424,000 (2019: HK$2,720,466,000) which was financed by current liabilities of approximately HK$190,585,000 (2019: HK$371,716,000), non-controlling interests of approximately HK$102,189,000 (2019: HK$118,690,000) and shareholders' equity of approximately HK$1,811,528,000 (2019: HK$2,213,608,000).

As at 31 March 2020, the Group's current ratio was approximately 5.61 (2019: 2.6). Current ratio is calculated based on current assets divided by current liabilities.

As at 31 March 2020, the Group's gearing ratio was nil (2019: Nil). Gearing ratio is calculated based on total borrowings divided by total equity.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisition or disposal during the Year.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

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

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 55 (2019: 47) employees in Hong Kong and the PRC as at 31 March 2020. The total staff cost (staff salaries, directors' emoluments and other staff costs) for the year ended 31 March 2020 amounted to approximately HK$14,792,000 (2019: HK$9,638,000). Remuneration packages are generally structured according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidies employees in various training and continuous education programs.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save and except those disclosed in note 22 to the consolidated financial statements, the Group did not have any capital commitments and contingent liabilities as at 31 March 2020.

FINANCIAL GUARANTEE CONTRACTS

Save and except those disclosed in note 20 to the consolidated financial statements, the Group did not have other financial guarantee contracts as at 31 March 2020.

CHARGES ON GROUP ASSETS

Save and except those disclosed in note 15 to the consolidated financial statements, the Group did not have any charges over the Group's assets as at 31 March 2020.

SUBSEQUENT EVENTS

(a) On 24 April 2020, the extended repayment deadline, Mr. Li Yuguo ("Mr. Li"), a substantial Shareholder, the chairman and an executive Director of the Company, has not yet repaid the Refund Amount relating to the termination of the acquisition of Shenyang Properties and the related compensation and interests to Asiaciti Investment Limited (國成投資有限公司), a wholly-owned subsidiary of the Company. The Company issued a debt collection letter to Mr. Li on 28 April 2020.

    On 8 May 2020, the Company set up a special committee, with 3 independent non-executive directors as members, to handle the repayment and/or the recovery of the Refund Amount. The Company has engaged independent legal advisors to work with the Special Committee and the Special Committee will seek other professional advice so as to take appropriate actions if necessary to recover the Refund Amount or enforce the securities. Details of the event of default and the Special Committee are set out in the announcements of the Company dated 29 April 2020 and 8 May 2020 respectively.

    Up to the date of this announcement, the Group has received a partial payment of Refund Amount and related compensation and interest of approximately HK$16,900,000.

(b) On 26 May 2020, New Jumbo Group Limited (匯寶集團有限公司) ("the Purchaser"), a wholly-owned subsidiary of the Company, Mu Linlin ("the Vendor") and Chi Sheng Trading Company Limited (熾盛貿易有限公司) ("the Target Company") entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of and the shareholder's loan advanced to the Target Company in accordance with the terms and conditions of the sale and purchase agreement. The Target Company, through 浙江上水捷運食品有限公司 (Zhejiang Shangshui Jieyun Food Co., Ltd.), indirectly holds, inter alia, a two-storey industrial building located at 中國浙江省金華蘭溪市上華街道沈村 (Chen Village, Shanghua Street, Lanxi City, Jinhua, Zhejiang Province, the PRC), which is currently leased to tenants for rental income. For details, please refer to the announcement of the Company dated 26 May 2020. The acquisition was completed on 24 June 2020.

PROSPECTS

Despite the short-term economic downturn resulting from, inter alia, the Sino-US trade dispute and COVID-19, the Directors are optimistic about the economic development of the PRC in the long run and the demands for water products and properties in the PRC will remain strong and sustainable. The Group will continue to strengthen its strength in its core business, i.e. water business, property development and property investment business and look for appropriate business and investment opportunities in these areas.

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). During the year ended 31 March 2020, the Company complied with all applicable provisions of the Code except for the deviation as stated below:

Code Provision A.1.3

Under Code provision A.1.3, notice of at least 14 days should be given for a regular Board meeting to give all directors an opportunity to attend. For all other Board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it was not practicable to give 14 days' advanced notification. The Board will use its best endeavours to give 14 days' advanced notifications of Board meeting as far as is practicable.

Code Provision A.1.8

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

Code Provision A.6.7

Under Code provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business engagement, three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 4 September 2019, and two non-executive Directors and three independent non-executive Directors were not able to attend the special general meeting of the Company held on 3 March 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

REVIEW OF ANNUAL FINANCIAL STATEMENTS

The figures in respect of the preliminary announcement of the Group's annual results for the year ended 31 March 2020 have been agreed by the auditors of the Company.

AUDIT COMMITTEE

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 29 June 2020

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