

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

Asia Resources Holdings Limited
亞洲資源控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 899)

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
FURTHER SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 37 of this circular.

A notice convening a special general meeting of the Company to be held at Units 1302-03, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, on Tuesday, 15 September 2020 at 11:00 a.m. or any adjournment thereof is set out on pages 86 to 87 of this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting (i.e. not later than 11:00 a.m. on Sunday, 13 September 2020 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

In order to prevent and control the spread of the Novel Coronavirus (COVID-19), the following measures will be taken at the SGM:

- temperature checks for attendees
- attendees are required to wear surgical masks
- no distribution of corporate gift or refreshment

Shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

* For identification purposes only

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DEFINITIONS

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

“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement and the transactions contemplated thereunder
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building T3”	the 35-storey building, under the Shenyang Commodity Housing Pre-sale Contract No. 16122, on 46 Nanjing North Street which is part of the land situated at Shifu Main Road, Heping District, Shenyang City, Liaoning Province, PRC (reference number of 011652204-2)
“Bye-laws”	the existing bye-laws of the Company
“close associates”	having the meaning as ascribed in the Listing Rules
“Company”	Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange (Stock Code: 899)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extended Repayment Deadline”	24 April 2020
“Further Extended Repayment Deadline”	2 July 2021
“Further Supplemental Agreement”	a supplemental agreement dated 3 July 2020 entered into between the Purchaser and Mr. Li Yuguo in relation to the Termination Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	the lawful currency for the time being of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man, formed to advise the Independent Shareholders as to the Further Supplemental Agreement
“Independent Financial Adviser” or “Pelican Financial”	Pelican Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Further Supplemental Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Li Yuguo and his associates
“Latest Practicable Date”	19 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2020 or such other date as the Purchaser and Mr. Li Yuguo may agree in writing
“PRC”	the People’s Republic of China, and for the sole purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the Properties comprise Floors 7 to 35 of Building T3 under the Shenyang Commodity Housing Pre-sale Contract No. 16122
“Purchaser”	Asiaciti Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Refund Amount”	the full amount of RMB562,500,000 paid by the Purchaser to the Vendor according to the Sale and Purchase Agreement
“RMB”	the lawful currency for the time being of PRC
“Sale and Purchase Agreement”	the agreement dated 12 October 2017 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Properties
“Securities”	collectively: <ul style="list-style-type: none">a. a share charge over 80% shares in Spring Water Ding Dong; andb. a debenture in respect of a floating charges over the shares of certain companies listed on the Stock Exchange held by Mr. Li Yuguo (or his corporate vehicles) in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be held on Tuesday, 15 September 2020 for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Spring Water Ding Dong”	Hong Kong Spring Water Ding Dong Group Company Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	a supplemental agreement dated 1 November 2019 entered into between the Purchaser and Mr. Li Yuguo in relation to the Termination Agreement

DEFINITIONS

“Termination Agreement”	a termination agreement dated 24 April 2019 entered into between the Vendor and the Purchaser in relation to the termination of the Sale and Purchase Agreement
“Vendor”	遼寧京豐置業有限公司, a company incorporated in the PRC with limited liability
“%”	percentage

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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

Executive Directors:

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

Non-executive Directors:

Mr. Yang Xiaoqiang
Mr. Huang Yilin

Independent Non-executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and Principal Place
of Business in Hong Kong:*

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

24 August 2020

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
FURTHER SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 July 2020 in relation to the Further Supplemental Agreement.

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

* For identification purposes only

LETTER FROM THE BOARD

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

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

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

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

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

On 22 January 2020 and 27 February 2020, the Purchaser and Mr. Li Yuguo entered into written agreements to extend the Long Stop Date to 29 February 2020 and 15 March 2020 respectively. The Supplemental Agreement was approved by the independent shareholders at the special general meeting of the Company held on 3 March 2020.

Mr. Li Yuguo failed to repay in full the Refund Amount and the related compensation and interests up to the Extended Repayment Deadline, i.e. 24 April 2020. On 8 May 2020, the Company has set up a Special Committee to handle the repayment and/or the recovery of the Refund Amount.

After several negotiations between the Special Committee and Mr. Li, on 3 July 2020, the Purchaser and Mr. Li Yuguo entered into the Further Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Outstanding Sum (as defined below) in the following manner: (a) 10% of the Outstanding Sum shall be repaid on or before 2 January 2021; and (b) 90% of the Outstanding Sum together with the interest to be accrued on the Outstanding Sum at an interest rate of 10% per annum shall be repaid on or before 2 July 2021.

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

LETTER FROM THE BOARD

THE FURTHER SUPPLEMENTAL AGREEMENT

Date: 3 July 2020

Parties: (a) the Purchaser

(b) Mr. Li Yuguo

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

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

TERMS

1. In view of the termination of the Sale and Purchase Agreement, the Supplemental Agreement and the subsequent supplemental agreements in relation to the extension of the Long Stop Date, Mr. Li agreed to repay the outstanding sum in the aggregate sum of RMB599,854,946.61 which comprised of: (1) the Refund Amount of RMB562,500,000; (2) 2% of the Refund Amount amounting to RMB11,250,000 as monetary compensation; (3) interest in the sum of RMB15,076,270.14 at the interest rate of 5.25% per annum accrued from 25 October 2019 to 24 April 2020; (4) interests in the sum of RMB11,028,676.47 at the interest rate of 10% per annum accrued from 25 April 2020 to 2 July 2020. Up to the date of the Further Supplemental Agreement, Mr. Li Yuguo has repaid a sum of RMB15,076,270.14. The remaining outstanding amount in the sum of RMB584,778,676.47 (the "**Outstanding Sum**") shall be paid in the following manner:
 - a. 10% of the Outstanding Sum in the sum of RMB58,477,867.65 to be repaid on or before 2 January 2021; and
 - b. the remaining 90% of the Outstanding Sum in the sum of RMB526,300,808.82 together with the interest to be accrued on the Outstanding Sum from 3 July 2020 onwards at an interest rate of 10% per annum shall be repaid on or before 2 July 2021.
2. Mr. Li Yuguo agrees and undertakes that if he breaches the Further Supplemental Agreement by failing to pay the Outstanding Sum by the Further Extended Repayment Deadline, he shall pay the Purchaser damages to be calculated on a daily basis at an interest rate of 15% per annum on the outstanding amount payable to the Purchaser at the Further Extended Payment Deadline, until the Outstanding Sum and the related damages are fully repaid.

LETTER FROM THE BOARD

DETERMINATION OF TERMS

The terms of the Further Supplemental Agreement was determined after arm's length negotiations between the Purchaser and Mr. Li Yuguo under the recent market conditions and normal commercial terms with reference to the default interest rate of the Supplemental Agreement.

CONDITIONS PRECEDENT FOR THE FURTHER SUPPLEMENTAL AGREEMENT

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

- (a) the Company having complied with the requirements under the Listing Rules in respect of the Further Supplemental Agreement and the transactions contemplated thereunder; and
- (b) the Purchaser and the Company having obtained all approvals in respect of the Further Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the approvals of the Board and Independent Shareholders).

If any of the above conditions precedent have not been fulfilled or waived on or before the Long Stop Date, Mr. Li Yuguo shall repay the Purchaser the Outstanding Sum and the interests as calculated from 3 July 2020 immediately.

INFORMATION OF THE COMPANY, THE GROUP AND THE PURCHASER

The Company is an investment holding company.

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

The Purchaser is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE FURTHER SUPPLEMENTAL AGREEMENT

The management of the Company and the Special Committee has taken several factors into account before entering into the Further Supplemental Agreement which included: (1) the drop in the property value in the PRC; (2) the economic challenges attributable to the COVID-19 pandemic; (3) the continued trade dispute between the United States and the PRC; (4) the current cash flow of Mr. Li Yuguo which was affected by the aforesaid factors; and (5) the partial repayment made by, and the continued communication with, Mr. Li Yuguo indicating the sincerity of Mr. Li Yuguo to fulfill his obligations under the Termination Agreement and the Supplemental Agreement.

LETTER FROM THE BOARD

The management of the Company is of the view that the further extension of the repayment deadline is the best alternative for the Termination Agreement and the Supplemental Agreement among: (1) taking legal actions against Mr. Li Yuguo for the breach of the Termination Agreement and the Supplemental Agreement; and (2) enforcing the Securities which Mr. Li Yuguo has provided.

The management of the Company and the Special Committee believe that the initiation of a court proceeding against Mr. Li Yuguo will bring certain side impacts to the Company including but not limited to: (1) resulting in a negative image on the Company; (2) additional costs would be incurred; (3) extra time and other resources would be expended for court proceedings; (4) the uncertainties involved in the outcome of the court proceedings; and (5) a potential disruption on the daily operation of the Company as Mr. Li Yuguo is the chairman and an executive Director.

The management of the Company considers that the Securities provided by Mr. Li Yuguo is commercially comparable to the value of the Outstanding Sum. If Mr. Li Yuguo fails to repay the Outstanding Sum by the Further Extended Repayment Deadline, the Company will be at its discretion to take control over the Securities and may resell it to the market for the recovery of the Outstanding Sum. Since some of the assets which are covered by the Securities are located in Hong Kong instead of Mainland China, and the laws of Hong Kong are the applicable laws of the relevant security documents, it will be easier for the Company to enforce such securities as Hong Kong is the legal system which the Directors are more familiar and confident with.

The management of the Company and the Special Committee have also considered the possibility of the enforcement of the Securities provided by Mr. Li Yuguo at the moment. However, the realization value of the Securities is currently low due to the significant drop in the value of the Securities since January 2020, when the previous circular regarding the Supplemental Agreement was published and the beginning of the outbreak of COVID-19 pandemic.

Since (i) the market value of Mr. Li Yuguo's shares in listed companies dropped and amounted to RMB108.32 million, representing a decrease of 60.12% as compared to the latest practicable date of the previous circular (i.e. 3 February 2020); and (ii) the market value of the Mr. Li Yuguo's shares in listed companies as at the Latest Practicable Date, represents approximately 80.65% discount to the net asset value of Mr. Li Yuguo's shares in listed companies of approximately RMB559.9 million, the Company considers it not desirable for the Company to enforce the Securities at the current moment.

The main business of Mr. Li Yuguo is property investment in the PRC which includes the sale and purchase and the leasing of properties. The recent property market in the PRC has affected the cash flow of Mr. Li Yuguo due to the drop in the property price and the amount of rentals received by Mr. Li Yuguo.

In addition, the travel restrictions were imposed and parts of the PRC were placed under lockdown due to the COVID-19 pandemic in the first half of 2020. People were restricted from travel outside and the property showrooms and the sales office operated by the company of Mr. Li Yuguo were not opened. As a result, no one would be able to purchase property, causing the main business of Mr. Li Yuguo suspended and severely affected Mr. Li Yuguo's cash flow.

LETTER FROM THE BOARD

Given the fact that the spread of COVID-19 pandemic in the PRC is relieving, the travel restrictions in the PRC have been lifted and the business in the PRC is resuming and the main business of Mr. Li Yuguo has been improving steadily. Subsequent to the announcement of the Company in relation to the Further Supplemental Agreement dated 7 July 2020, Mr. Li Yuguo has repaid a further sum of RMB35 million. Up to the Latest Practicable Date, Mr. Li Yuguo has repaid an aggregate sum of approximately RMB50 million since April 2020, which demonstrates his improved financial capability. The Company has conducted further due diligence by making enquiries on the updates on Mr. Li's main business, conducting discussion with his management and conducting research on the web regarding the general market conditions of those places where Mr. Li's businesses are based since the negotiation of the Further Supplemental Agreement and the Company and the Special Committee are satisfied with the results and the current repayment status of Mr. Li. The Company believes that it is justifiable to give reasonable additional time for Mr. Li Yuguo to recover his cash flow and repay the Company the Outstanding Sum.

The management of the Company considered that the interest for the Outstanding Sum should be set at not less than the default rate of the Termination Agreement and the Supplemental Agreement as the Company, including the Special Committee, is of the view that Mr. Li Yuguo has been in default in certain agreements. After negotiations between the parties, the interest rate for the Further Supplemental Agreement has been set at 10% per annum which was the default interest rate of the Supplemental Agreement and was considered to be commercially fair and reasonable.

The management of the Company and the Special Committee are confident that Mr. Li Yuguo would be able to duly repay in accordance with the aforesaid repayment schedule as the management of the Company and the Special Committee are persuaded by Mr. Li Yuguo that the business of Mr. Li Yuguo has been resuming as a result of the loosening of the COVID-19 restriction in the PRC. The recent part payment of Mr. Li Yuguo also indicates his willingness to repay the Outstanding Sum.

Further, the management of the Company currently expects the interest and the compensation derived from the Further Supplemental Agreement is an attractive opportunity for the Company to generate an interest income for the Group under the prevailing adverse market condition. Further, the interest income to be accrued under the Further Supplemental Agreement would result in the increase in the Company's revenue and the earnings and assets of the Company.

In light of the above, the Board is of the view that although the entering into of the Further Supplemental Agreement is not in the ordinary and usual course of business of the Group, the Further Supplemental Agreement has been entered into on normal commercial terms, which are fair and reasonable and the entering into of the Further Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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

LISTING RULES IMPLICATIONS

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

As the highest applicable percentage ratio under Chapter 14 of the Listing Rules in respect of the Further Supplemental Agreement exceeds 100%, the Further Supplemental Agreement constitutes a very substantial acquisition of the Company, and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

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

SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

A notice of an SGM to be held at Units 1302-03, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong at 11:00 a.m. on Tuesday, 15 September 2020 is set out on pages 86 to 87 of this circular, for the purpose of considering and, if thought fit, passing the resolution in respect of the Further Supplemental Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

For determining the entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Thursday, 10 September 2020 to Tuesday, 15 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 9 September 2020.

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

The Independent Board Committee comprising Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man has been formed to advise the Independent Shareholders as to whether the terms of the Further Supplemental Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) on how to vote.

The Company has appointed the Independent Financial Adviser, Pelican Financial Limited, to advise the Independent Board Committee and the Independent Shareholders in the same regard.

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

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

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

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Further Supplemental Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 16 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Further Supplemental Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of Pelican Financial, the Independent Financial Adviser, considers that the terms and conditions of the Further Supplemental Agreement and the transactions thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Further Supplemental Agreement and the transactions contemplated thereunder.

Having considered the aforesaid benefits to the Group and the advice of Pelican Financial, the Board (excluding Mr. Li Yuguo, who is also the Director and therefore abstained from voting in the Board meeting to approve the Further Supplemental Agreement and the transactions contemplated thereunder) considers that the terms and conditions of the Further Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

ADDITIONAL INFORMATION

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

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

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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

24 August 2020

To the Independent Shareholders of Asia Resources Holdings Limited

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
FURTHER SUPPLEMENTAL AGREEMENT IN RELATION TO
TERMINATION OF THE ACQUISITION OF PROPERTIES**

We refer to the circular dated 24 August 2020 issued by the Company (the “Circular”), of which this letter forms part. Capitalised terms defined in this letter shall bear the same meanings as those defined in the Circular unless the context requires otherwise.

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

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular, and letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders as set out on pages 16 to 37 of the Circular which contains its advice to us in respect of whether the terms and conditions of the Further Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the reasons relating to the terms and conditions of the Further Supplemental Agreement, the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that although the entering into of the Further Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms and conditions of the Further Supplemental Agreement and the transactions thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Further Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of

Independent Board Committee of
Asia Resources Holding Limited

Mr. Ba Junyu

Mr. Zhu Xueyi

Mr. Wong Chung Man

Independent Non-Executive Directors



PELICAN FINANCIAL LIMITED

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

24 August 2020

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

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION FURTHER SUPPLEMENTAL AGREEMENT IN RELATION TO TERMINATION OF THE ACQUISITION OF PROPERTIES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Further Supplemental Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 24 August 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

According to the announcement of the Company dated 7 July 2020 (the “**Announcement**”), on 24 April 2019, the Vendor and the Purchaser have entered into the Termination Agreement, pursuant to which (i) the parties have mutually agreed to terminate the Sale and Purchase Agreement they entered into on 12 October 2017 in relation to the sales of the Properties by the Vendor to the Purchaser and no parties shall have claims against each other; and (ii) on or prior to 24 October 2019, the Vendor shall refund a total amount of RMB562,500,000 (i.e. the “**Refund Amount**”) paid by the Purchaser and pay a lump sum of RMB11,250,000, being 2% of the Refund Amount, to the Purchaser as monetary compensation. The Sale and Purchase Agreement has been terminated accordingly.

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Due to the financial difficulties faced by the Vendor, the Vendor was not able to repay the Refund Amount and the related compensation by 24 October 2019. On 1 November 2019, the Purchaser and Mr. Li Yuguo (“**Mr. Li**”) entered into the Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Refund Amount and the related compensation and interests to the Purchaser. The Purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. On 22 January 2020 and 27 February 2020, the Purchaser and Mr. Li entered into written agreements to extend the Long Stop Date to 29 February 2020 and 15 March 2020 respectively. The Supplemental Agreement was approved by the Independent Shareholders at the special general meeting of the Company held on 3 March 2020.

Mr. Li failed to repay in full the Refund Amount, the related compensation and the interests up to the Extended Repayment Deadline, i.e. 24 April 2020. On 8 May 2020, the Company has set up a Special Committee to handle the repayment and/or the recovery of the Refund Amount.

After several negotiations between the Special Committee and Mr. Li, on 3 July 2020, the Purchaser and Mr. Li entered into the Further Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Purchaser the Outstanding Sum (as defined below) in the following manner: (a) 10% of the Outstanding Sum shall be repaid on or before 2 January 2021; and (b) 90% of the Outstanding Sum together with the interest to be accrued on the Outstanding Sum at an interest rate of 10% per annum shall be repaid on or before 2 July 2021.

As the highest applicable percentage ratio under Chapter 14 of the Listing Rules in respect of the Further Supplemental Agreement exceeds 100%, the Further Supplemental Agreement constitutes a very substantial acquisition of the Company, and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

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

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

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Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican’s independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Further Supplemental Agreement and the transactions contemplated thereunder. In the last two years, except for acting as the independent financial adviser to the Company in respect of the Supplemental Agreement as disclosed in the Company’s circular dated 6 February 2020, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with our current appointment, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Further Supplemental Agreement and the transactions contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Further Supplemental Agreement are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions regarding the Further Supplemental Agreement and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Further Supplemental Agreement, the valuation report dated 23 June 2020 prepared by AP Appraisal Limited (the “**Valuer**”) on the fair value of the water procurement permit held by Spring Water Ding Dong and the 20% equity interests of Spring Water Ding Dong for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2020 (the “**Valuation Report**”), the Announcement, the circular of the Company dated 6 February 2020, the annual report of the Company for the financial year ended 31 March 2020 (the “**2020 Annual Report**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or

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information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

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

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. Information of the Group

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

Set out below is a summary of the audited financial information of the Group for the two years ended 31 March 2020 as extracted from the 2020 Annual Report.

	For the financial year ended	
	31 March	
	2020	2019
	(audited)	(audited)
	HK\$'000	HK\$'000
<i>Revenue</i>		
Water business	268	0
Property development and investment	201,242	0
Trading of goods	0	32,760
Total Revenue	201,510	32,760
Gross (loss)/profit	(87,244)	1,028
Loss for the year	354,920	159,393

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According to the 2020 Annual Report, for the year ended 31 March 2020, the revenue of the Group had increased significantly by more than six times, from approximately HK\$32.8 million to approximately HK\$201.5 million, which was mainly attributable to the handover of properties in Dalian and of the commencement of its sales of bottled water products. For the year ended 31 March 2020, the Group recorded a gross loss of approximately HK\$87.2 million compared with a gross profit of approximately HK\$1.0 million for the year ended 31 March 2019, which was mainly attributable to the loss from the sales of properties in Dalian due to higher development costs as a result of the delay of property development, as well as decreasing selling prices as a result of the downturn in the property market in Dalian. Accordingly, the Group recorded a loss for the year ended 31 March 2020 of approximately HK\$354.9 million, representing an increase of approximately 122.7% compared with a loss for the previous year of approximately HK\$159.4 million, which was mainly due to (i) the gross loss from the sales of properties in Dalian; (ii) the impairment loss on the properties under development; (iii) the impairment loss on completed properties held for sale; (iv) the impairment losses on the deposits paid; (v) the impairment losses on its intangible assets; (vi) its share of losses of associates; and (vii) exchange losses.

Meanwhile, the consolidated assets and liabilities of the Group as at 31 March 2020 as extracted from the 2020 Annual Report are summarised as follows:

	As at 31 March 2020 (audited) HK\$'000	As at 31 March 2019 (audited) HK\$'000
Total assets		
– non-current assets	1,045,726	1,753,868
– current assets	1,069,698	966,598
Total liabilities		
– non-current liabilities	11,122	16,452
– current liabilities	190,585	371,716
Net current assets	879,113	594,882
Net assets	1,913,717	2,332,298
Equity attributable to owners of the Company	1,811,528	2,213,608

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As at 31 March 2020, the non-current assets of the Group amounted to approximately HK\$1,045.7 million, representing a decrease of approximately 40.4% compared with that in 2019. The non-current assets of the Group mainly comprised of (i) intangible assets of approximately HK\$336.8 million; (ii) interests in associates of approximately HK\$201.1 million; and (iii) deposits paid of approximately HK\$487.1 million. Meanwhile, the Group's current assets, which amounted to approximately HK\$1,069.7 million as at 31 March 2020, mainly consisted of (i) properties under development of approximately HK\$218.3 million; and (ii) prepayments, deposits and other receivables of approximately HK\$697.5 million.

As at 31 March 2020, the non-current liabilities of the Group, which were mainly deferred tax liabilities, amounted to approximately HK\$11.1 million, representing a decrease of approximately 32.4% compared with that in 2019. Meanwhile, the Group's current liabilities, which amounted to approximately HK\$190.6 million, mainly consisted of (i) trade payables of approximately HK\$73.0 million; (ii) other payables and accruals of approximately HK\$61.8 million; and (iii) contract liabilities of approximately HK\$53.0 million.

As at 31 March 2020, the consolidated net current assets and net assets of the Group were approximately HK\$879.1 million and HK\$1,913.7 million respectively. The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 5.61 as at 31 March 2020 as compared with approximately 2.6 as at 31 March 2019, indicating the improvement in the Company's ability to meet its short-term obligations.

2. The Termination Agreement, the Supplemental Agreement and the Further Supplemental Agreement

On 24 April 2019, the Vendor and the Purchaser have entered into the Termination Agreement, pursuant to which (i) the parties have mutually agreed to terminate the Sale and Purchase Agreement they entered into on 12 October 2017 in relation to the sales of the Properties by the Vendor to the Purchaser and no parties shall have claims against each other; and (ii) on or prior to 24 October 2019, the Vendor shall refund a total amount of RMB562,500,000 (i.e. the Refund Amount) paid by the Purchaser and pay a lump sum of RMB11,250,000, being 2% of the Refund Amount, to the Purchaser as monetary compensation. The Sale and Purchase Agreement has been terminated accordingly.

Due to the financial difficulties faced by the Vendor, the Vendor was not able to repay the Refund Amount and the related compensation by 24 October 2019. On 1 November 2019, the Purchaser and Mr. Li entered into the Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the Refund Amount and the related compensation and interests to the Purchaser. The Purchaser agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. As Mr. Li failed to repay in full the Refund Amount, the related compensation and the interests up to the Extended Repayment Deadline, i.e. 24 April 2020. On 8 May 2020, the Company has set up a Special Committee to handle the repayment and/or the recovery of the Refund Amount.

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After several negotiations between the Special Committee and Mr. Li, on 3 July 2020, the Purchaser and Mr. Li entered into the Further Supplemental Agreement, pursuant to which, Mr. Li agreed to repay the outstanding sum in the aggregate sum of RMB599,854,946.61 which comprised of: (i) the Refund Amount of RMB562,500,000; (ii) 2% of the Refund Amount amounting to RMB11,250,000 as monetary compensation; (iii) interest in the sum of RMB15,076,270.14 at the interest rate of 5.25% per annum accrued from 25 October 2019 to 24 April 2020; (iv) interests in the sum of RMB11,028,676.47 at the interest rate of 10% per annum accrued from 25 April 2020 to 2 July 2020. Up to the date of the Further Supplemental Agreement, Mr. Li has repaid a sum of RMB15,076,270.14. The remaining outstanding amount in the sum of RMB584,778,676.47 (the “**Outstanding Sum**”) shall be paid in the following manner:

- a) 10% of the Outstanding Sum in the sum of RMB58,477,867.65 shall be repaid on or before 2 January 2021; and
- b) the remaining 90% of the Outstanding Sum in the sum of RMB526,300,808.82 together with the interest to be accrued on the Outstanding Sum from 3 July 2020 onwards at an interest rate of 10% per annum shall be repaid on or before 2 July 2021.

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

- a) the Company having complied with the requirements under the Listing Rules in respect of the Further Supplemental Agreement and the transactions contemplated thereunder; and
- b) the Purchaser and the Company having obtained all approvals in respect of the Further Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the approvals of the Board and Independent Shareholders).

If any of the above conditions precedent have not been fulfilled or waived on or before the Long Stop Date, Mr. Li shall repay the Purchaser the Outstanding Sum and the interests as calculated from 3 July 2020 immediately.

3. Principal terms of the Further Supplemental Agreement

I. Comparable analysis

In view that the interests derived from the Further Supplemental Agreement is payable by Mr. Li, a connected person, to the Group, we consider such arrangement as similar to a loan/financial assistance arrangement and hence we have reviewed similar transactions involving the provision of loan/financial assistance to a connected person with a fixed interest rate by companies listed on the Stock Exchange over the past six months immediately preceding and up to the date of the Announcement, in assessing the fairness and reasonableness of the terms of the Further Supplemental Agreement. To the best of our knowledge, we found

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twenty-six transactions (the “**Market Comparables**”) which meet the said criteria and such list is exhaustive as far as we are aware. We consider the six-month review period as fair and reasonable as there had been a sufficient amount of Market Comparables conducted during such period for our analysis. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those of the Market Comparables. However, we consider that the loan/financial assistance arrangements of the Market Comparables were determined under similar market conditions and sentiment and hence reflect the general market trend of the provision of loan/financial assistance in the open market. Therefore, we are of the view that the Market Comparables provide a general reference in assessing the fairness and reasonableness of the terms of the Further Supplemental Agreement.

Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N) (Note 1)	Term (years)	Interest rate per annum (%)
23-Jun-20	697	Shoucheng Holdings Limited	Y	3.00	6.88
22-Jun-20	1277	Kinetic Mines and Energy Limited	N	2.00	2.00
22-Jun-20	1335	Sheen Tai Holdings Group Company Limited	Y	0.50	6.00
17-Jun-20	271	Asiasec Properties Limited	N	3.00	4.75
15-Jun-20	363	Shanghai Industrial Holdings Limited	N	1.00	5.00
12-Jun-20	950	Lee’s Pharmaceutical Holdings Limited	Y	1.00	5.00
27-May-20	308	China Travel International Investment Hong Kong Limited	N	1.00	3.15 (Note 2)
18-May-20	950	Lee’s Pharmaceutical Holdings Limited	N	1.00	5.00
13-May-20	853	MicroPort Scientific Corporation	N	5.00	5.00
8-May-20	2166	Smart-Core Holdings Limited	Y	1.00	7.00
7-May-20	844	Greatime International Holdings Limited	N	0.83	0.00
7-May-20	499	Qingdao Holdings International Limited	N	2.00	15.00
28-Apr-20	9	Keyne Limited	Y	3.00	9.50
15-Apr-20	1713	Sichuan Energy Investment Development Co., Ltd	N	1.00	8.00
1-Apr-20	680	Nan Hai Corporation Limited	N	1.50	9.50

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Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N) (Note 1)	Term (years)	Interest rate per annum (%)
27-Mar-20	950	Lee's Pharmaceutical Holdings Limited	N	1.00	5.00
27-Mar-20	3898	Zhuzhou CRRC Times Electric Co., Ltd.	N	1.00	4.79
24-Mar-20	950	Lee's Pharmaceutical Holdings Limited	Y	1.00	5.00
3-Mar-20	2727	Shanghai Electric Group Company Limited	N	1.00	10.00
12-Feb-20	832	Central China Real Estate Limited	Y	1.00	6.88
7-Feb-20	8163	Merdeka Resources Holdings Limited	N	1.00	0.00
24-Jan-20	3608	Yongsheng Advanced Materials Company Limited	N	0.33	6.00
22-Jan-20	2357	AviChina Industry & Technology Company Limited	N	1.00	7.00
17-Jan-20	631	Sany Heavy Equipment International Holdings Company Limited	Y	2.00	4.60
17-Jan-20	1806	Huifu Payment Limited	N	3.00	3.60
15-Jan-20	1632	Minshang Creative Technology Holdings Limited	N	0.25	8.00
			Maximum	5.0	15.0
			Minimum	0.3	0.0
			Median	1.0	5.0
			Average	1.5	5.9
7-Jul-20	899	Asia Resources Holdings Limited	Y	1.0	10.0

Source: The Stock Exchange of Hong Kong Limited

Note 1: We consider the provision of collateral or guarantee as a principal term of a loan/financial assistance arrangement. We also consider that it is reasonable to assume there was no collateral or guarantee provided in the said Market Comparables if there is no disclosure on such in the respective announcements.

Note 2: The interest rate shall be the six month US\$ LIBOR plus 2.6% per annum, which will be fixed on the date of the loan agreement and re-fixed on the date falling 6 months from the date of the loan agreement.

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a) Interest rate

As illustrated by the above table, the interest rate of the Market Comparables ranges from nil to 15.0%, with an average of approximately 5.9% and a median of approximately 5.0%. The comparison shows that the interest rate of 10.0% falls within the range of the interest rates of the Market Comparables and is higher than the average interest rate thereof, suggesting that the interest rate under the Further Supplemental Agreement is not only in line with but also better than the market rates. Accordingly, we consider such interest rate as fair and reasonable.

b) Terms of maturity/Further Extended Payment Deadline

As illustrated by the above table, the terms of maturity of the Market Comparables ranges from approximately four months to five years with an average of approximately one year and six months and a median of approximately one year. The duration of the Further Supplemental Agreement of one year, is therefore in line with the aforesaid range of the Market Comparables and approximates the average and median thereof. Accordingly, we consider the duration of the Further Supplemental Agreement is fair and reasonable.

c) Collateral/guarantee/undertaking

As illustrated in the table above, eight out of the twenty-six Market Comparables were secured by a collateral or guarantee while the remaining eighteen of them were unsecured. As such, it is not uncommon in the market that a loan/financial assistance arrangement between connected persons is secured with a collateral or guarantee similar to the Securities provided by Mr. Li under the Further Supplemental Agreement. From our review of these Market Comparables, all collaterals or guarantees were given in favour of the lender (i.e. the listed company) to protect the lender's interest in the event of the borrower's default. We consider such arrangement as similar to the transactions contemplated under the Further Supplemental Agreement as the Company can be considered as the lender which provided its financial assistance to Mr. Li in the form of the Outstanding Sum, with the repayment obligation of Mr. Li being secured by the Securities. Given that we consider the transactions contemplated under the Further Supplemental Agreement to be similar to a loan/financial assistance arrangement between connected persons, we consider these Market Comparables, which involved the provision of a collateral or guarantee as one of their principal terms, as representative in reflecting the general market practices and showing that it is not uncommon for a lender to secure its borrower's repayment obligation by requiring the provision of a collateral or guarantee in favour of itself.

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As disclosed in the Board Letter, if Mr. Li fails to repay the Outstanding Sum by the Further Extended Repayment Deadline, the Company will be at its discretion to take control over the Securities and may resell it to the market for the recovery of the Outstanding Sum. We consider such arrangement as comparable to collaterals in similar loan/financial assistance arrangements, and we understand that the management of the Company considers the Securities as commercially comparable to the value of the Outstanding Sum. Meanwhile, pursuant to the Further Supplemental Agreement, Mr. Li agrees and undertakes that if he breaches the Further Supplemental Agreement by failing to pay the Outstanding Sum by the Further Extended Repayment Deadline, he shall pay the Purchaser damages to be calculated on a daily basis at an interest rate of 15% per annum on the outstanding amount payable to the Purchaser at the Further Extended Payment Deadline, until the Outstanding sum and the related damages are fully repaid. We consider such personal undertaking (i.e. the 15% interest rate payable upon default) as an additional protection of the interest of the Company because in addition to taking control over the Securities in the event of Mr. Li's default, the Purchaser could get compensated by the additional interests payable by Mr. Li. Given the above, we are of the view that the arrangement under the Further Supplemental Agreement is more secured in protecting the interest of the lender (i.e. the Purchaser) than the loan/financial assistance arrangements of some of the Market Comparables in that not only guarantees but additional interest payments are required upon default.

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

II. Value of the Securities

As stated in the Board Letter, the Board is of the view that Mr. Li would be able to repay by the Further Extended Repayment Deadline as Mr. Li would secure his repayment with his personal assets, including but not limited to, (i) his 80% equity interest in Spring Water Ding Dong and (ii) his shares in listed companies (together, the "Securities"). In the event that Mr. Li could not repay the Outstanding Sum eventually, the Company would take possession of the Securities.

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In assessing the value of the Securities, we have considered the below:

- (i) Mr. Li's 80% equity interest in Spring Water Ding Dong and the Valuation Report

According to the Valuation Report, which was conducted by adopting a discounted cash flow method under the income approach, Spring Water Ding Dong had an estimated market value of RMB1,351.3 million, with no impairment made since acquisition. Accordingly, 80% of its equity interests would amount to approximately RMB1,081.04 million, which prima facie exceeds the Outstanding Sum.

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

- a) Valuer

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

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

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Furthermore, although the Valuation Report was prepared for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2020, we noted from the engagement letter entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report.

b) Valuation basis

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

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

c) Valuation methodology

We have also discussed with the Valuer on the methodology adopted in valuing the equity interests of Spring Water Ding Dong as at 31 March 2020 and noted they had considered the three generally accepted valuation approaches, namely the asset approach, the market approach and the income approach.

According to the Valuation Report,

1. *“The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable;*

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2. *The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised assets relative to the market comparative; and*
3. *The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets."*

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

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

Cash-flow forecast

In arriving at the valuation of the equity interests of Spring Water Ding Dong, the Valuer had performed the valuation of such based on the cash-flow forecast prepared and provided by the management of the Company and Spring Water Ding Dong (the "**Management**"). We have reviewed the said cash-flow forecast and noted that it was estimated by the Management that, revenue will mainly come from Spring Water Ding Dong's manufacturing and sales of bottled water business over the forecast period. In this regard, we have obtained and reviewed the calculation spreadsheet of the aforementioned cash-flow forecast and discussed with the Management in relation to the underlying basis and assumptions. We understand that the cash-flow forecast was arrived at with reference to (i) the sales growth estimated based on Spring Water Ding Dong's experience and future business plan; (ii) the operating expenses estimated based on

Spring Water Ding Dong's business plan; (iii) the level of capital expenditure and working capital determined with reference to historical figures and estimations based on Spring Water Ding Dong's business plan; and (iv) a perpetual growth rate of 3% based on the average annual growth rate of the consumer price index in the PRC over the past 10 year prior to the valuation date of 31 March 2020 that was used to determine the terminal value. We understand that the Valuer was of the view that the underlying basis and assumptions of the cash-flow forecast were fair and representative, and as such, we consider that the cash-flow forecast formed a fair and reasonable basis in the Valuation Report.

Discount rate

As the adoption of the discounted cash flow method requires an appropriate discount rate for the equity interests of Spring Water Ding Dong, we noted that the Valuer had used the weighted average cost of capital ("WACC") for the estimation of such. According to the Valuation Report, WACC comprises two components: cost of equity and cost of debt. The cost of equity was determined using the capital asset pricing model (the "CAPM"), which states that an investor requires excess returns to compensate systematic risks and that an efficient market provides no excess return for other risks. Hence, in determining the WACC for the equity interests of Spring Water Ding Dong, the Valuer conducted a valuation of the water procurement permit held by Spring Water Ding Dong using the multi-period excess earnings method, with the fair value of the water procurement permit being the sum of the discounted present values of the projected annual excess earnings (i.e. the operating profit attributed to the water procurement permit less the required return for its contributory tangible and intangible assets). We noted that the Valuer assumed that the level of the inherent risk of Spring Water Ding Dong and that of the water procurement permit were similar, and therefore they had applied the same WACC as the discount rate for the valuation of the equity interests of Spring Water Ding Dong and its water procurement permit. We concur with the Valuer in this regard and we consider the adoption of WACC as the discount rate as fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

d) Valuation assumptions

We noted that the Valuer had made various assumptions in the valuation of the equity interests of Spring Water Ding Dong due to the changing environment in which the company operated in. We have discussed with the Valuer and reviewed the principal assumptions made and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the principal assumptions adopted in the Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

e) Our view on the Valuation Report

In assessing the fairness and reasonableness of the valuation, we have focused on assessing the accuracy and completeness of the information relied upon by the Valuer. In this regard, we have held discussions with the Management and the Valuer, reviewed the cash-flow forecast prepared by the Management, which sets out the basis for the revenue projection and the production capacity of Spring Water Ding Dong. Based on our assessment, we are of the view that the information and representations made to the Valuer are reliable and reasonable. Meanwhile, although the Valuation Report was dated back to 23 June 2020 and showed the appraised value of the equity interests of Spring Water Ding Dong as at 31 March 2020, and was prepared for the purpose of the annual audit of the financial statements of the Company for the year ended 31 March 2020, we consider such valuation forms a reasonable reference for the current transaction, despite we understand that the underlying assumptions and factors of the Valuation Report, which by their nature are subjective and uncertain, may still differ from the actual circumstances. However, since the impact of the COVID-19 pandemic on the business of Spring Water Ding Dong had already been taken into consideration by the Valuer, and that the nothing material subsequent to 31 March 2020 has come to our attention, we consider that such assumptions and factors are still appropriate as at the Latest Practicable Date. As such, we consider that the Valuation Report is an appropriate reference for valuing the equity interests of Spring Water Ding Dong in the current transaction. Given that 80% of the estimated equity interests of Spring Water Ding Dong amounted to approximately RMB1,081 million based on the Valuation Report, it is not only commercially comparable to, but also prima facie exceeds the Outstanding Sum.

(ii) Mr. Li's shares in listed companies

As disclosed in the circular of the Company dated 6 February 2020, details of Mr. Li's shares in listed companies are as follows:

Name of the Listed Company	Stock Code	Number of shares	Percentage of Shareholding	Market Value of the shares (HK\$) as at the Latest Practicable Date	Encumbrance(s) (if any)
Asia Resources Holdings Limited	899	2,268,000,000	29.80%	79.38 million	Nil
Future Bright Mining Holdings Limited	2212	2,388,995,000	61.73%	40.61 million	Nil

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the aggregate market value of Mr. Li's shares in listed companies was approximately HK\$119.99 million (equivalent to approximately RMB108.32 million). Although such market value is lower than the Outstanding Sum, the aggregate of such market value with the value of Mr. Li's 80% equity interest in Spring Water Ding Dong is in excess of the Outstanding Sum. In this regard, we concur with the Board that the value of Mr. Li's shares in listed companies serves as additional safeguard in helping the Company to recover part of the Outstanding Sum.

In addition, we have further evaluated the marketability of the above shares by reviewing their respective trading volume on the Stock Exchange during the past six-month, being the period from 1 February 2020 up to and including the Latest Practicable Date, details of which are set out in the table below.

Months	% of average daily trading volume to total issued shares <i>(Note 1)</i>	
	The Company	Future Bright Mining Holdings Limited (Stock code: 2212)
2020		
February	0.030%	1.480%
March	0.010%	8.750%
April	0.020%	10.410%
May	0.070%	3.270%
June	0.000%	0.810%
July	0.030%	1.710%
1 August to the Latest Practicable Date	0.020%	1.420%
Minimum	0.000%	0.810%
Mean	0.026%	3.979%
Maximum	0.070%	10.410%

Source: *the website of the Stock Exchange*

Notes:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the above table, the average daily trading volume of the Company and Future Bright Mining Holdings Limited was approximately 0.026% and 3.979% of their total number of issued shares respectively during our review period. Whilst the trading of the Share has not been particularly active, we consider it reasonable for a small-cap company like the Company. On the other hand, the liquidity of the shares of Future Bright Mining Holdings Limited was relatively high, suggesting that these shares can be liquidated in the open market much easier. Given that the Group would be able to take possession of the Securities as if Mr. Li would not be able to repay the Outstanding Sum eventually, we are of the view that Mr. Li's shares in listed companies are a reasonable alternative resort for the Group to recover part of the Outstanding Sum if Mr. Li fails to meet his repayment obligations.

As an additional analysis, we have also assessed the value of Mr. Li's shares in listed companies from the net asset value ("NAV") perspective and noted that the NAV per share of the Company and Future Bright Mining Holdings Limited was approximately HK\$0.25 (equivalent to approximately RMB0.23) as at 31 March 2020 and HK\$0.02 (equivalent to approximately RMB0.016) as at 31 December 2019, respectively. Multiplying the respective NAV per share of these Shares by the respective number of shares held by Mr. Li, the aggregate NAV of Mr. Li's shares in listed companies would amount to approximately HK\$614.8 million (equivalent to approximately RMB559.9 million), accounting for about 95% of the Outstanding Sum of approximately RMB584.8 million.

Taking into consideration our analysis in the above two sub-sections headed "Mr. Li's 80% equity interest in Spring Water Ding Dong and the Valuation Report" and "Mr. Li's shares in listed companies", we are of the view that the Further Supplemental Agreement would help the Company to recover the Outstanding Sum.

4. Reason for and benefits of entering of the Further Supplemental Agreement

As disclosed in the Board Letter, the management of the Company and the Special Committee has taken several factors into account before entering into the Further Supplemental Agreement which included, (i) the drop in the property value in the PRC; (ii) the economic challenges attributable to the COVID-19 pandemic; (iii) the continued trade dispute between the United States and the PRC; (iv) the drop of the market value of Mr. Li's shares in listed companies; (v) the current cash flow of Mr. Li which was affected by the aforesaid factors; and (vi) the partial repayment made by, and the continued communication with Mr. Li which indicates the sincerity of Mr. Li to fulfill his obligations under the Termination Agreement and the Supplemental Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, given that Mr. Li's cashflow is affected by his property investment business in the PRC, which involves the sale and purchase and the leasing of properties, the recent drop in property prices as well as rental payments received by Mr. Li as a result of the COVID-19 pandemic has severely affected his ability to repay the Refund Amount in full. However, the Company is of the view that Mr. Li's financial capability has been improving as he has repaid a further sum of RMB35 million subsequent to the Announcement and that as at the Latest Practicable Date, he has in aggregate repaid RMB50 million since April 2020. In addition, we noted that since the negotiation of the Further Supplemental Agreement, the Company has conducted further due diligence on Mr. Li's financial capability by making enquiries on the updates on Mr. Li's main businesses, conducting discussion with his management as well as conducting research on the web regarding the general market conditions of those places where Mr. Li's businesses are based. Given that the Company is satisfied with its due diligence results and the current repayment status of Mr. Li, the Company believes that it is justifiable to give reasonable additional time for Mr. Li to recover his cash flow and fulfil his repayment obligation.

In this regard, we understand that the management of the Company considers the further extension of the repayment deadline is currently the best, expedite and practicable option to the Company when compared to (i) taking legal actions against Mr. Li for the breach of the Termination Agreement and the Supplemental Agreement; and (ii) enforcing the Securities which Mr. Li has provided, given that (a) legal actions against Mr. Li will, among others, incur additional costs by the Company and potentially disrupt the daily operation of the Company as Mr. Li is the Chairman and an executive Director; and (b) the realization value of the Securities has dropped significantly recently and it not desirable for the Company to enforce the Securities at the moment due to recent adverse market conditions.

Despite the recent significant drop in the value of the Securities, as discussed in the earlier sections of this letter, the Securities remain not only commercially comparable to, but also prima facie exceed the Outstanding Sum. Accordingly, we consider that the Company will be able to recover the Outstanding Sum should the Company exercise its discretion to take control over the Securities and resell it to the market, if Mr. Li fails to repay the Outstanding Sum by the Further Extended Repayment Deadline. In addition, since some of the assets covered by the Securities are located in Hong Kong instead of Mainland China, and the laws of Hong Kong are the applicable laws of the relevant security documents, it will be easier for the Company to enforce such securities as Hong Kong is the legal system which the Directors are more familiar and confident with.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, we were given to understand that the Company has considered the possibility of enforcing the Securities at the moment, yet having considered the currently low realization value of the Securities and the potential difficulties in liquidating the Securities in the open market under the currently adverse market conditions, the Company considers the entering into of the Further Supplemental Agreement, which would allow the Purchaser to receive cash repayments rather than needing to incur additional costs in liquidating the Securities, to be more commercially justifiable and preferable as compared to the enforcement of the Securities. In this regard, we noted from the 2020 Annual Report that, the Company's bank balance and cash had decreased by approximately 63.8% from approximately HK\$127.3 million as at 31 March 2019 to approximately HK\$46.1 million as at 31 March 2020. Hence, we understand it is the Company's intention to replenish its cash level by collecting the interests and compensation derived from the Further Supplemental Agreement. Given that Mr. Li has shown his commitment in further repaying the Refund Amount as discussed above, the Company considers further repayments from Mr. Li to be likely. Accordingly, the Company considers that the entering into of the Further Supplemental Agreement is currently the most expedite and practicable option to the Company and is in the interest of the Company and the Shareholders as a whole.

As mentioned in the Board Letter, the Company, including the Special Committee, has considered Mr. Li's history of being in default in certain agreements and hence the interest rate under the Further Supplemental Agreement has been set at 10% per annum, which was the default interest rate in the Supplemental Agreement and which we consider as fair and reasonable as it was not only close to double the previous interest rate of 5.25% under the Supplemental Agreement, but also better than the market rates as discussed in the above section headed "Comparable analysis" of this letter. Accordingly, we agree with the management of the Company that the interests and compensation derived from the Further Supplemental Agreement would be an attractive opportunity for the Company to generate interest income for the Group under the prevailing adverse market condition which would result in an increase in the Company's revenue, earnings and assets. In addition, pursuant to the Further Supplemental Agreement, Mr. Li agrees and undertakes that if he breaches the Further Supplemental Agreement by failing to pay the Outstanding Sum by the Further Extended Repayment Deadline, he shall pay the Purchaser damages to be calculated on a daily basis at an interest rate of 15% per annum on the outstanding amount payable to the Purchaser at the Further Extended Payment Deadline, until the Outstanding sum and the related damages are fully repaid, an arrangement which we consider as an additional protection for the interest of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) the steady improvement in the property investment business of Mr. Li would enable Mr. Li to repay the Outstanding Sum in the near future; (ii) the further extension of the repayment deadline is currently the most expedite and practicable option to the Company as other options would incur additional costs by the Company and potentially disrupt the daily operation of the Company; (iii) the Further Supplemental Agreement affords adequate protection to the Group's and the Shareholders' interest as the Securities would provide an indemnification for the Outstanding Sum in the event that Mr. Li breached the Further Supplemental Agreement; and (iv) the interests and compensation derived from the Further Supplemental Agreement are expected to be an attractive opportunity for the Company to generate interest income for the Group under the prevailing adverse market condition, we are of the view that the entering into of the Further Supplemental Agreement and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

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

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The published audited financial statements of the Group for each of the three years ended 31 March 2018, 2019 and 2020 were set out in the Company's annual reports for the each of three years ended 31 March 2018, 2019 and 2020, which can be accessed on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (<http://www.asiaresources899.com.hk>). Quick links to the annual reports of the Company are set out below:

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

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

Annual report of the Company for the year ended 31 March 2020:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0722/2020072200165.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2020, apart from the liabilities and normal trade and other payable in the ordinary course of business, the Group did not have outstanding mortgages, charges, debentures or other loan capital, debt securities, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL CHANGE

Reference is made to the annual report of the Company for the year ended 31 March 2020. As disclosed in such annual report, the Group recorded a loss attributable to the owners of the Company of approximately HK\$338,784,000 for the year ended 31 March 2020 and the loss was mainly attributable to: (a) loss on sales of properties; (b) impairment loss on completed properties held for sales; (c) impairment loss on properties under development; (d) impairment loss on deposits paid resulting from the decrease in fair values of the underlying property investments in the PRC and long outstanding refundable deposits related to Zengcheng properties; (e) impairment loss on intangible assets; (f) share of loss of an associate; and (g) exchange losses for the year ended 31 March 2020. Please refer to the relevant annual report of the Company for further details.

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statement of the Company were made up.

4. WORKING CAPITAL

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Revenue

For the year ended 31 March 2020, the revenue of the Group was approximately HK\$201,510,000 (year ended 31 March 2019: HK\$32,760,000). The increase in revenue was due to handover of properties in Dalian and start-up of selling bottled water products during the year ended 31 March 2020. During the period, 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.

Cost of Sales

For the year ended 31 March 2020, the Group's cost of sales was approximately HK\$288,754,000. The costs of properties and bottled water products sold were approximately HK\$288,565,000 and HK\$189,000 respectively.

Gross Loss

The Group recorded a gross loss of approximately HK\$87,244,000 for the year ended 31 March 2020. The gross loss was mainly attributable to loss to sales of properties in Dalian due to higher development costs suffered from the delay of the property development, and downturn of the property market in Dalian resulting a drop in the selling price.

Business Review

The Group continuously focuses its effort on our core business the water business, property development and property investment business. For the water mining business in Hunan, the production facilities are currently under construction and expected to commence production in late 2020. For the property development business in Dalian, construction of the first phase has been completed and the Group commenced to handover the properties to the buyer from April 2019 onwards. The Group also endeavours to diversify its scope of business and product portfolio in order to diversify the risks from its existing businesses. During the year ended 31 March 2020, the Group commenced sales of bottled water products in the PRC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management's discussion and analysis of the Group for each of the three years ended 31 March 2018, 2019 and 2020, as extracted from the annual reports of the Company for the year ended 31 March 2018, 2019 and 2020:

(1) FOR THE YEAR ENDED 31 MARCH 2018

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 March 2018 is set out below.

RESULTS OF THE YEAR ENDED 31 MARCH 2018

For the year ended 31 March 2018, the consolidated revenue, net, contributed from continuing operations of the Group amounted to approximately HK\$7,343,000 (2017: HK\$6,651,000). Accordingly, the Group's continuing operations reported a gross profit of approximately HK\$7,343,000 for the year (2017: HK\$6,651,000).

The Group recorded a loss attributable to the owners of the Company amounted to approximately HK\$123,989,000 for the year ended 31 March 2018 (2017: HK\$92,794,000). The increase in loss was mainly due to (i) the impairment loss on properties under development; and (ii) loss on early redemption of promissory notes.

Basic and diluted loss per share from continuing and discontinued operations for the year ended 31 March 2018 was HK\$0.021 (2017: HK\$0.017).

BUSINESS REVIEW

During the year ended 31 March 2018, the net revenue had increased approximately 10% over last year. The Group has continuously focused its effort on the property development and property investment business in the PRC. The Group had expanded its property investment business in Shenyang in January 2018. For property development business in Dalian, the first phase was nearly completed and expected to recognise the revenue in the coming years.

The Group had diversified its business to water business including bottled water production and sales business in Guangxi and water mining business in Hunan. The Board was confident that the operation of water business would contribute positively to the Group in future. Apart from expanding the business, the Group had disposed of the non-profitable business and continued to rationalise its cost structure.

MANAGEMENT DISCUSSION AND ANALYSIS

Water Business

The Group aimed to broaden its business spectrum by extending its business into water mining, production and sales of bottled water business. The Group had successfully completed two strategic acquisitions for bottled water production and sales business in Guangxi and water mining business in Hunan.

Water Production and Sales

The Group entered into an acquisition agreement on 19 April 2017 to acquire 20% equity interests of Hong Kong Spring Water Ding Dong Group Company Limited (“**Spring Water**”) at a consideration of HK\$273,000,000. A wholly-owned subsidiary in Guangxi of Spring Water held a water procurement permit for production and sales of bottled water and is currently in operation.

During the year ended 31 March 2018, the Group shared loss of associates of approximately HK\$7,855,000 (2017: Nil).

Water Mining

The Group entered into an acquisition agreement on 23 May 2017 to acquire 67% equity interests of Good Union (China) Limited (“**Good Union**”) at a consideration of HK\$244,000,000. An indirect wholly-owned subsidiary of Good Union in Hunan held a water mining licence for exploitation of spring water.

In accordance with the acquisition agreement, the vendor guaranteed a production volume of spring water of not less than (i) 50,000 cubic metres in 2019 and (ii) 100,000 cubic metres for each calendar year from 2020 to 2028. The factory was under construction and the expected completion date was on or around 31 December 2018.

During the year ended 31 March 2018, no revenue was derived from this segment and a loss of approximately HK\$1,586,000 (2017: Nil) was recorded which mainly comprised administrative expenses.

Property Business

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) continued engaging in the development of urban land for residential purpose in the real estate sector in Dalian and as planned to develop 55 buildings on the said land with 21 buildings in the first phase (“**Phase I**”) and 34 buildings in the second phase (“**Phase II**”).

* For identification purposes only

Phase I named "Xin Tian Jia Yuan" had almost completed the construction work except some public area and its utilities. It is expected to be completed in December 2018. 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). As at 31 March 2018, total contracted sales achieved approximately RMB106,900,000 (of which pre-sale deposits of approximately RMB95,400,000 received), and total contracted gross saleable area was around 16,700 square metres.

For the Phase II, 34 buildings with approximately 69,000 square metres used as the saleable area. The initiation date would be in 2019.

Property Investment

Yantian Properties

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

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

As at 31 March 2018, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit of RMB90,000,000 in accordance with the terms of payment 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 have been issued in favour of the purchaser. The vendor shall register the title of the property under the name of the purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

* For identification purposes only

As at 31 March 2018, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit of RMB60,000,000 in accordance with the terms of payment 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 purchaser. The vendor shall register the title of the property under the name of the purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

As at 31 March 2018, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit 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 purchaser. The vendor shall register the title of the property under the name of the purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

Zengcheng Properties

Reference is made to the announcements of the Company dated 15 April 2015, 5 June 2015, 27 August 2015, 15 June 2016 and 18 January 2017 in relation to the acquisition of certain properties located in Jinma Waterfront Square* (金馬水岸廣場). Given that the vendor failed to deliver the physical possession of the properties within the timeframe specified in the acquisition agreements, the Group served a termination notice to the vendor on 18 January 2017 and 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 2018, the Group had totally received RMB183,000,000 for the refund of the paid consideration and the payment of the compensation. The Group anticipated that the remaining balance of the refund would be received by 31 December 2018, failing which the Group may consider taking legal action against the vendor.

* For identification purposes only

Hangzhou Properties (Discontinued Operations)

In late 2015, the patisserie coffee shop and the indoor recreation playground business operated in Hangzhou properties had ceased due to weak performance. Hangzhou, capital of Zhejiang province, it has a population of nearly 9 million and was one of China's richest cities. However, the property market in Hangzhou suffered from the state macro control and had a pressure in its economic growth. The Group planned to dispose of the Hangzhou properties to potential investors.

Beijing Properties

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

As at 31 March 2018, the Group totally paid consideration of RMB200,000,000 in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the pre-sale agreement between the vendor and the purchaser in relation to the sale and purchase of the property having been entered into and the building owner certificate having been obtained by the purchaser. At the material time, the Beijing Properties was under construction and was expected to be completed on or around 31 December 2018.

Shenyang Properties

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 was approximately 30,480.96 square metres.

As at 31 March 2018, the Group had paid RMB199,750,000 to the vendor, representing approximately 31.96% of the total consideration. Currently, the Shenyang Properties are under construction. According to the sale and purchase agreement, completion of the acquisition shall take place before 31 December 2019 or such other date as the vendor and the purchaser may agree in writing.

The Group recorded a loss from property development and investment segment of approximately HK\$34,375,000 for the year ended 31 March 2018 (2017: HK\$8,921,000). The loss mainly comprised operation and administrative expenses and impairment loss on properties under development.

* For identification purposes only

Iron Ore Mining Business (Discontinued Operations)

While facing the Ministerial Regulation No. 1/2014 promulgated by the Indonesian Government regarding the export restriction of iron sand still in force, the management had decided to stem the export of the iron sand trading business of PT. Dampar Golden International (an indirect 60% non-wholly owned subsidiary of the Group) in Indonesia during the period under review as the purity level of the iron sand did not meet the minimum requirement under the Indonesia mining regulation.

After dismantling and removing the processing plants to warehouse, the management was continuing to explore the opportunity to dispose of the plants and inventory. Meanwhile, the Group had closed down all activities except for those office and administration function.

Under the circumstances, the Company planned to dispose of the Indonesia mining business to potential investors who are interested in the mine so that the management can focus their effort on the other business units.

Investing and Financing Business

Money Lending Business

The Group has obtained a money lenders licence in Hong Kong in July 2015 through its indirect wholly-owned subsidiary, Asia Financial Holdings (Hong Kong) Limited ("**Asia Financial**"). In accordance with the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong), Asia Financial commenced the money lending business since September 2015. In view of the keen competition on this business, the Group continued to approach high credit rating customers.

For the year ended 31 March 2018, the money lending business recorded a revenue of approximately HK\$7,343,000 (2017: HK\$6,651,000).

Securities and Other Trading Business

During the year ended 31 March 2018, due to the volatility of the stock market, the management was prudent in taking risk on the securities trading business. There was no trading of securities during the year ended 31 March 2018. The management focused their effort on other business.

Therefore, the securities trading business for the year ended 31 March 2018 recorded a loss of approximately HK\$2,895,000 (2017: HK\$2,870,000). The loss was mainly due to the fair value change of the securities.

Other

- (A) The Group entered into a sale and purchase agreement on 29 June 2016 with Ms. Hu Huifang* (胡惠芳) and Ms. Shi Xiulan* (石秀蘭), relating to the acquisition of 100% equity interest of Shaanxi Tiandi Zhongli Energy Development Company Limited* (陝西天地眾力能源發展有限公司) (“**Shaanxi Tiandi**”) at a consideration of RMB31,200,000 (equivalent to approximately HK\$36,816,000). Shaanxi Tiandi was established in the PRC with limited liability and was principally engaged in vehicle liquefied natural gas supply business, it owned and operated the LNG Station. On 26 May 2017, the Group served a termination notice to the vendors for, among other things, termination of the sale and purchase agreement.
- (B) During the year ended 31 March 2018, the Group paid interest for convertible notes/bonds of approximately HK\$9,792,000 (2017: HK\$10,442,000) and incurred non-cash finance costs of approximately HK\$24,827,000 (2017: HK\$32,115,000) as a result of the imputed interests on the convertible notes/bonds issued.

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK\$2,145,072,000 as at 31 March 2018 from approximately HK\$1,884,213,000 as at 31 March 2017. As at 31 March 2018, the short term and long term interest bearing debts to shareholders' equity was 10.92% (2017: 11.13%).

2015 CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 21 May 2015 and 20 August 2015 and the circular of the Company dated 6 July 2015 in relation to the placing of a 3-year 4% coupon convertible bonds due 2018 (at a conversion price of HK\$0.72 — subject to adjustment) in the aggregate principal amount of up to HK\$432,000,000 (the “**2015 CB Placing**”). The 2015 CB Placing was completed on 20 August 2015 (the “**2015 Convertible Bonds**”).

During the year ended 31 March 2018, no holder of the 2015 Convertible Bonds had converted any outstanding principal amount into shares of the Company. As at 31 March 2018, the principal amount of the 2015 Convertible Bonds outstanding was HK\$244,800,000 (2017: HK\$244,800,000).

EQUITY FUND RAISING ACTIVITIES

Subscription of Shares

On 7 July 2017, the Company and Mr. Li Yuguo entered into a subscription agreement that Mr. Li Yuguo agreed to subscribe 1,000,000,000 new ordinary shares at subscription price of HK\$0.25 per share. The subscription was completed on 8 August 2017. Details of which are set out in the announcements of the Company dated 7 July 2017 and 8 August 2017.

* For identification purposes only

The net proceeds of approximately HK\$249,900,000 was intended to be used for acquisition and development of businesses relating to natural resources or the products thereof or for working capital of the Group. As at 31 March 2018, the net proceeds of subscription of shares of approximately HK\$230,000,000 was still kept for intended use.

Change in Use of Proceeds from Previous Subscription of Shares

On 19 May 2015, the Company entered into a share subscription agreement, which the Company had conditionally agreed to allot and issue a total of 1,330,000,000 subscription shares at the subscription price of HK\$0.36 per share with Xi'an Communication Energy (Hongkong) Co., Limited. The share subscription was completed on 16 November 2015. The net proceeds of the share subscription of approximately HK\$472,600,000 were intended to utilise as (i) general working capital of the Group and (ii) the investment in natural gas business when opportunities arise.

On 23 May 2017, the Directors considered that there may not be a reasonable prospect that relevant investment opportunities on natural gas business could be identified in the foreseeable future. Therefore, the Directors changed the use of proceeds of (i) approximately HK\$244,000,000 for investment in entities engage in exploitation, production and sales of spring water, (ii) approximately HK\$23,000,000 for working capital of the Group and (iii) approximately HK\$205,600,000 deposited in the bank accounts of the Group, details of which are set out in the announcements of the Company dated 21 May 2015, 16 November 2015 and 23 May 2017 and the circular of the Company dated 6 July 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK\$2,860,646,000 (2017: HK\$2,433,016,000) which was financed by current liabilities of approximately HK\$569,728,000 (2017: HK\$306,712,000), non-current liabilities of approximately HK\$36,354,000 (2017: HK\$251,238,000), non-controlling interests of approximately HK\$109,492,000 (2017: deficit balance approximately HK\$9,147,000) and shareholders' equity of approximately HK\$2,145,072,000 (2017: HK\$1,884,213,000).

The Group's current ratio as at 31 March 2018 was approximately 2.55 (2017: 5.23) and gearing ratio, representing the sum of convertible bonds, divided by the shareholders' equity was 10.92% (2017: 11.13%). The convertible bonds were denominated in Hong Kong dollars and with fixed interest coupon rate.

CAPITAL COMMITMENT

As at 31 March 2018, except for the capital commitment amounting to approximately HK\$754,344,000 (2017: HK\$251,442,000), the Group had no other material capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2018, a wholly-owned subsidiary of the Company in the PRC, 大連創和置地有限公司 (“大連創和”) provided corporate guarantees and a pledge to third parties and had contingent liabilities amounting to RMB200,000,000 (2017: RMB250,000,000), 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 was believed that 大連銀行(一) could 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 4 January 2018, 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 was believed that 大連銀行(一) could 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 was believed that 大連銀行(一) could 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 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.

- (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. Since another independent guarantor of the loan, 創達地產(大連)有限公司 (“創達地產”) has pledged its properties to 大連銀行(三) for this loan, it is believed that 大連銀行(三) could fully recover the loan and interest from the sales proceeds of the pledged properties.

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. 創達地產 is a company engaged in property development. 創達地產 provided its unaudited management accounts as at 31 May 2018 which show that it had a net asset value of approximately RMB236,779,000 and thus it had sufficient assets to cover the above liabilities.

Subsequently, a loan agreement of RMB245,000,000 has been signed by 大連順浩 with 大連銀行 on 27 December 2017. This loan was still undergoing the loan distribution procedures and was expected to be granted shortly to repay the loans, interests and other costs stated in (1), (2) and (3) and the corporate guarantees provided by 大連創和 will then be released. Another loan was in negotiation among 創達地產 and 大連銀行 to repay the loans, interests and other costs stated in (4) and (5). The corporate guarantees and pledge provided by 大連創和 would be released once this arrangement is reached.

Up to 26 June 2018 (i.e. the date of the annual report of the Company for the year ended 31 March 2018), 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, the Directors believed that the probability of suffering any significant loss by the Group from the above corporate guarantees and pledge was low. As such, no provision for loss was made.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR ENDED 31 MARCH 2018

Acquisitions

Acquisition of 20% equity interest of Hong Kong Spring Water Ding Dong Group Company Limited

The Group entered into an acquisition agreement with a company beneficially owned by our substantial shareholder, Mr. Li Yuguo on 19 April 2017 to acquire 20% of the equity interest of Spring Water at a consideration of HK\$273,000,000 which was settled by promissory notes (details of which were disclosed in the announcements dated 19 April 2017 and 25 April 2017). The acquisition was completed on 25 April 2017. On 14 June 2017, the promissory notes had been fully redeemed.

Spring Water and its wholly-owned subsidiary principally engage in production and sales of bottled water, and are currently in operation.

Acquisition of 67% equity interest of Good Union (China) Limited

The Group entered into an acquisition agreement on 23 May 2017 to acquire 67% of the issued share capital of Good Union at a consideration of HK\$244,000,000 (details of which were disclosed in the announcements dated 23 May 2017 and 7 June 2017). The acquisition was completed on 7 June 2017.

An indirect wholly-owned subsidiary of Good Union in Hunan held a water mining licence for exploitation of spring water.

Acquisition of Shenyang properties

The Group entered into sale and purchase agreement on 12 October 2017 to purchase the properties comprising Floors 7 to 35 of Building T3 situated at 46 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, PRC under the Shenyang Commodity Housing Pre-sale Permit No. 16122 for a total consideration of RMB625,000,000 (subject to adjustment) (details of which were disclosed in the announcement and circular dated 12 October 2017 and 22 January 2018 respectively). The vendor is a company incorporated in the PRC with limited liability and beneficially owned by Mr. Li Yuguo, a substantial shareholder and the Chairman and Executive Director of the Company. The acquisition was not yet completed as at 31 March 2018.

Disposals

Disposal of 60% and 40% equity interests of Shenzhen Penghongsheng Industrial Development Limited (深圳鵬鴻昇實業發展有限公司) (“Penghongsheng”)*

The Group entered into a disposal agreement on 27 April 2017 to dispose of 60% equity interest of Penghongsheng and the sales loan for a total consideration of RMB240,000,000 (equivalent to approximately HK\$271,200,000). The disposal was subsequently completed on 11 May 2017.

The Group entered into the second disposal agreement on 6 June 2017 to dispose of 40% equity interest of Penghongsheng and the sales loan for a total consideration of RMB160,000,000 (equivalent to approximately HK\$188,000,000). The disposal was subsequently completed on 30 October 2017.

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries or associates of the Company during the year ended 31 March 2018.

* For identification purposes only

SUBSEQUENT EVENTS AFTER 31 MARCH 2018

- (a) On 17 April 2018, the Company and Mr. Li Yuguo entered into the subscription agreement ("**Subscription Agreement**"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the 1,268,000,000 shares at HK\$0.25 on the completion date. Mr. Li Yuguo is the Chairman, an Executive Director and a substantial shareholder who held 1,000,000,000 shares, representing approximately 15.76% of the issued share capital of the Company. Details are set out in the announcement and circular of the Company dated 17 April 2018 and 4 June 2018 respectively.
- (b) On 3 May 2018, Shengyi Information Consulting (Shenzhen) Co., Ltd. (晟奕信息諮詢(深圳)有限公司) ("**Shengyi**"), a wholly-owned subsidiary of the Company, and ISH Yanbao Logistics (Shenzhen) Co., Ltd. (綜合信興鹽保物流(深圳)有限公司) ("**ISH Yanbao**") entered into the supplemental agreement to the 2014 Acquisition Agreement, the May 2015 Acquisition Agreement and the November 2015 Acquisition Agreement, pursuant to the timetables, progress, delay and any relevant terms in relation to the fact that ISH Yanbao shall register the title of the investment properties under the name of Shengyi. Details are set out in the announcement of the Company dated 3 May 2018.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions were denominated in Hong Kong Dollars, Renminbi, Indonesian Rupiah and US Dollars which were relatively stable during the year ended 31 March 2018. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of approximately 42 (2017: 45) employees in Hong Kong, Indonesia and the PRC as at 31 March 2018. The total cost (staff salary and director emolument) for the year ended 31 March 2018 amounted to approximately HK\$10,272,000 (2017: HK\$47,868,000). Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsors employees in different training and continuous education programs.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 14 January 2002 (the "**2002 Share Option Scheme**") had been terminated on 9 August 2011 and a new share option scheme (the "**2011 Share Option Scheme**") was adopted by the Company on 9 August 2011.

2002 Share Option Scheme

As at 31 March 2018, the number of shares in respect of which share options remained outstanding under 2002 Share Option Scheme was 220,000.

2011 Share Option Scheme

Reference is made to the circular of the Company dated 21 August 2017. On 21 September 2017, an ordinary resolution was duly passed by the shareholders at annual general meeting of the Company, approving, inter alia, to refresh the scheme mandate limit under the 2011 Share Option Scheme of the Company adopted on 9 August 2011. The refreshed scheme limit as at 21 September 2017 was 634,369,000.

As at 31 March 2018, the number of shares in respect of which share options remained outstanding under 2011 Share Option Scheme was 464,300,000.

CHARGES ON GROUP ASSETS

As at 31 March 2018, a land use right located in Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC of approximately HK\$129,536,000 (2017: HK\$116,914,000) was pledged to a bank for a recurring loan granted to a third party. For the details, please refer to the paragraph headed "CONTINGENT LIABILITIES".

(2) FOR THE YEAR ENDED 31 MARCH 2019

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 March 2019 is set out below.

RESULTS OF THE YEAR ENDED 31 MARCH 2019

For the year ended 31 March 2019, the consolidated revenue of the Group amounted to approximately HK\$32,760,000 (2018: Nil) from continuing operations and HK\$269,000 (2018: HK\$7,343,000) from discontinued operations respectively. Accordingly, the Group's recorded a gross profit of approximately HK\$1,297,000 for the year (2018: HK\$7,343,000).

The Group recorded a loss attributable to the owners of the Company amounted to approximately HK\$158,640,000 for the year ended 31 March 2019 (2018: HK\$123,989,000). The increase in loss was mainly due to (i) the impairment losses on properties under development and completed properties held for sale; and (ii) share of losses of associates.

Basic and diluted loss per share from continuing and discontinued operations for the year ended 31 March 2019 was HK\$0.022 (2018: HK\$0.021).

BUSINESS REVIEW

The Group continuously focused its effort on our core business the water business, property development and property investment business. For the water mining business in Hunan, the production facilities were under construction and expected to commence production in 2020. For the property development business in Dalian, construction of the first phase was completed and the Group commenced to handover the properties to the buyer from April 2019 onwards. Therefore, revenue would be recognised in the coming years. The Group also endeavoured to seek profitable trading business as to enhance the diversity of our business and increase revenue.

During the year ended 31 March 2019, the Group recorded a revenue of approximately HK\$32,760,000 (2018: Nil) from continuing operations. The revenue was mainly derived from the general trading business.

Apart from expanding the business, the Group disposed of the non-profitable iron ore mining business in Indonesia. The Group also ceased the operation of the money lending business in order to reallocate the resources to the core businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Water Business

Water Production and Sales

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

During the year ended 31 March 2019, the Group shared losses of associates of approximately HK\$17,152,000 (2018: HK\$7,855,000), which were mainly due to the depreciation of property, plant and equipment.

Water Mining

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

During the year ended 31 March 2019, no revenue was derived from this segment and a loss of approximately HK\$1,915,000 (2018: HK\$1,586,000) was recorded which mainly comprised administrative expenses.

Property Business

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**"), continued engaging in the development of urban land for residential purpose in the real estate sector in Dalian and as planned to develop 55 buildings on the said land with 21 buildings in the first phase ("**Phase I**") and 34 buildings in the second phase ("**Phase II**").

* For identification purposes only

Phase I named "Xin Tian Jia Yuan" had been completed in March 2019. There were 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). As at 31 March 2019, total contracted sales achieved approximately RMB189,310,000 (of which pre-sale deposits of approximately RMB142,138,000 received), and total contracted gross saleable area was around 29,507 square metres. Dalian Chuanghe commenced to handover the properties to buyers from April 2019 onwards.

For the Phase II, 34 buildings with approximately 69,000 square metres were used as the saleable area. The initiation date was expected to be in 2019.

Property Investment

Yantian Properties

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

The property to be acquired represents 46 units of Jinma Creative Industry Park (formerly known as "Kingma Information Logistic Park") which was 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 2019, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit of RMB90,000,000 in accordance with the terms of payment 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 have been issued in favour of the purchaser. The vendor shall register the title of the property under the name of the purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

* For identification purposes only

As at 31 March 2019, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit of RMB60,000,000 in accordance with the terms of payment 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 purchaser. The vendor shall register the title of the property under the name of the purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

As at 31 March 2019, the Group had obtained physical possession of the property and totally paid conditionally refundable deposit 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 purchaser. The vendor shall register the title of the property under the name of the 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 27 June 2019 (i.e. the date of the annual report of the Company for the year ended 31 March 2019), the vendor had still not registered the titles of the properties under the name of the Group. The approval from the PRC government authority for issuing the building ownership certificates remained pending. The Company was actively negotiating with the vendor on this matter for the possible ways to resolve the same.

Zengcheng Properties

Reference is made to the announcements of the Company dated 15 April 2015, 5 June 2015, 27 August 2015, 15 June 2016 and 18 January 2017 in relation to the acquisition of certain properties located in Jinma Waterfront Square* (金馬水岸廣場). Given that the vendor failed to deliver the physical possession of the properties within the timeframe specified in the acquisition agreements, the Group served a termination notice to the vendor on 18 January 2017 and demand the refund of the consideration in the amount of RMB274,000,000 pursuant to the terms and conditions of the acquisition agreements and the payment of an additional sum representing not less than 3% thereof as compensation (details of which were disclosed in the announcement dated 18 January 2017). As at 31 March 2019, the Group had totally received RMB212,000,000 for the refund of the paid consideration and the payment of the compensation. The Group had negotiated with the vendor and expected that the remaining balance of the refund would be received by 31 December 2019, failing which the Group may consider taking legal action against the vendor.

* For identification purposes only

Hangzhou Properties (Discontinued Operations)

Reference is made to the announcements of the Company dated 12 July 2018 and 28 September 2018 in relation to the disposal of subsidiaries, which held the Hangzhou properties. The consideration had been received and the transaction had been completed on 28 September 2018.

Beijing Properties

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

As at 31 March 2019, the Group totally paid consideration of RMB200,000,000 in accordance with the terms of payment stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the pre-sale agreement between the vendor and the purchaser in relation to the sale and purchase of the property having been entered into and the building ownership certificate having been obtained by the purchaser. The Beijing Properties were under construction and were expected to be completed on or around 31 December 2019.

Shenyang Properties

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 comprised 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 was approximately 30,480.96 square metres.

As at 31 March 2019, the Group had paid approximately RMB528,764,000 to the vendor, representing approximately 84.6% of the total consideration. In mid-April 2019, the Group received a notice from the vendor that it was anticipated that the vendor would not be able to complete the construction of the properties and deliver the same to the Group in accordance with the agreed terms of the sale and purchase agreement. The vendor also proposed to terminate the sale and purchase agreement. On 24 April 2019, after arm's length negotiations between the vendor and the Group, the parties had mutually agreed to terminate the sale and purchase agreement. The deposits paid shall be refunded together with a monetary compensation of RMB11,250,000 to the Group on or before 24 October 2019.

* For identification purposes only

The Group recorded a loss from property development and investment segment of approximately HK\$117,960,000 for the year ended 31 March 2019 (2018: HK\$34,375,000). The loss mainly comprised operation and administrative expenses and impairment losses on properties under development and completed properties held for sales located in Dalian.

OTHER TRADING BUSINESS

The Group strived to seek profitable trading business as to enhance the diversity of our business and increase revenue. During the year ended 31 March 2019, the Group traded electric wires in Hong Kong on an one-off and trial basis which recognised a revenue of approximately HK\$32,760,000 (2018: Nil) and a profit of approximately HK\$397,000 (2018: Nil). The goods were procured from an external supplier and sold to an external customer on indent basis. Both the supplier and the customer were independent third parties. The Group may consider, depending on the actual market circumstances and opportunities, identifying new sources of general merchandises and engaging in the trading business in Hong Kong or elsewhere on a continuing basis.

Iron Ore Mining Business (Discontinued Operations)

Reference is made to the announcements of the Company dated 12 July 2018 and 28 September 2018 in relation to the disposal of subsidiaries, which operated the iron ore mining business in Indonesia. The consideration was received and the transaction had been completed on 28 September 2018.

Investing and Financing Business

Money Lending Business (Discontinued Operations)

Reference is made to 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, the Group had ceased the operation of its money lending business.

For the year ended 31 March 2019, the money lending business recorded a revenue of approximately HK\$269,000 (2018: HK\$7,343,000).

SIGNIFICANT INVESTMENTS

As at 31 March 2019, 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 2019	Percentage of shareholdings as at 31 March 2019	Carrying amount as at 31 March 2018 <i>HK\$'000</i>	Unrealised fair value loss for the year ended 31 March 2019 <i>HK\$'000</i>	Fair value as at 31 March 2019 <i>HK\$'000</i>	Percentage of total financial assets at fair value through profit or loss as at 31 March 2019	Percentage of total assets of the Group as at 31 March 2019
640	Infinity Development Holdings Company Limited	1,000,000	0.17%	740	(130)	610	13.44%	0.02%
747	Shenyang Public Utility Holdings Company Limited	13,100,000	2.16%	4,127	(197)	3,930	86.56%	0.14%
				4,867	(327)	4,540	100.00%	0.16%

2015 CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 21 May 2015 and 20 August 2015 and the circular of the Company dated 6 July 2015 in relation to the placing of a 3-year 4% coupon convertible bonds due 2018 (at a conversion price of HK\$0.72 – subject to adjustment) in the aggregate principal amount of up to HK\$432,000,000 (the “**2015 CB Placing**”). The 2015 CB Placing was completed on 20 August 2015 (the “**Convertible Bonds**”). The outstanding principal amount of Convertible Bonds as at 31 March 2018 was HK\$244,800,000.

On 20 August 2018, the Convertible Bonds matured and none of the outstanding principal amount of the Convertible Bonds were converted into shares. The Company had redeemed the outstanding Convertible Bonds in whole at a redemption price equal to 100% of the outstanding principal amount of HK\$244,800,000 together with all accrued and unpaid interests thereon and completed all relevant procedures thereafter.

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 2019, 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 2019	Remaining balance of net proceeds as at 31 March 2019
	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%	-	56.0
Potential acquisition of business or companies	213.0	67.3%	Acquisition of Shenyang Properties	213.0	67.3%	213.0	-
Working capital of the Group	47.5	15.0%	Working capital of the Group	47.5	15.0%	-	47.5
	316.5	100.0%		316.5	100.0%	213.0	103.5

APPENDIX II MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP

Placing of Shares on 8 August 2017

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 8 August 2017 were approximately HK\$249,900,000. Details of the placing of shares were set out in the announcements of the Company dated 7 July 2017 and 8 August 2017.

Up to 31 March 2019, 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 2019	Remaining balance of net proceeds as at 31 March 2019
	HK\$' million	% of net proceeds		HK\$' million	% of net proceeds	HK\$' million	HK\$' million
Acquisition and development of businesses related to natural resources or the products thereof or working capital of the Group	249.9	100.0%	Capital expenditure on the production facilities of Hunan Xintian	7.9	3.2%	7.9	-
			Operating expenses of the Company	12.0	4.8%	12.0	-
			Redemption of convertible bonds	230.0	92.0%	230.0	-
	<u>249.9</u>	<u>100.0%</u>		<u>249.9</u>	<u>100.0%</u>	<u>249.9</u>	<u>-</u>

Placing of Shares on 16 November 2015

The net proceeds (net of all relevant costs and expenses) from placing of shares under special mandate on 16 November 2015 were approximately HK\$472,600,000. Details of the placing of shares were set out in the announcements of the Company dated 22 May 2015 and 16 November 2015 and the circular of the Company dated 3 July 2015.

On 23 May 2017, the Board resolved to change the use of the net proceeds that the new allocation of the net proceeds would meet the Group's business and operational needs more effectively in line with the Group's business development. Details of the change in use of proceeds from subscription was set out in the announcement of the Company on 23 May 2017.

Up to 31 March 2019, 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 2019	Remaining balance of net proceeds as at 31 March 2019
	HK\$' million	% of net proceeds		HK\$' million	% of net proceeds	HK\$' million	HK\$' million
Investment in entities engage in exploitation, production and sales of spring water	244.0	51.6%	Redemption of promissory notes for acquisition of Spring Water Ding Dong	244.0	51.6%	244.0	-
Working capital of the Group	23.0	4.9%	Working capital of the Group	23.0	4.9%	23.0	-
Deposited in the bank accounts for intended use	205.6	43.5%	Acquisition of Shenyang Properties	205.6	43.5%	205.6	-
	472.6	100.0%		472.6	100.0%	472.6	-

CAPITAL STRUCTURE

Shareholders' equity increased from approximately HK\$2,145,072,000 as at 31 March 2018 to approximately HK\$2,213,608,000 as at 31 March 2019.

As at 31 March 2018, the Group had convertible bonds of approximately HK\$234,287,000. The convertible bonds was fully redeemed during the year ended 31 March 2019 and there was no other interest bearing debt as at 31 March 2019.

On 13 November 2018, the Company implemented a capital reorganisation involving a capital reduction and share subdivision:

- (a) the issued share capital of the Company was reduced by a reduction of the par value of each issued existing shares from HK\$0.25 to HK\$0.01 which reduction comprised a cancellation of such amount of the paid-up capital on each issued existing share so that each issued existing share was treated as one fully paid-up share of par value of HK\$0.01 each in the share capital of the Company and the credit arising from the capital reduction was credited to the contributed surplus account of the Company; and
- (b) each of the authorised but unissued existing shares of par value of HK\$0.25 each was sub-divided into 25 new shares of par value of HK\$0.01 each.

The capital reorganisation was approved by the shareholders of the Company during the special general meeting held on 12 November 2018 and the capital reorganisation became effective on 13 November 2018.

For details of the capital reorganisation, please refer to the announcement of the Company dated 21 September 2018 and the circular of the Company dated 15 October 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had total assets of approximately HK\$2,720,466,000 (2018: HK\$2,860,646,000) which was financed by current liabilities of approximately HK\$371,716,000 (2018: HK\$569,728,000), non-current liabilities of approximately HK\$16,452,000 (2018: HK\$36,354,000), non-controlling interests of approximately HK\$118,690,000 (2018: HK\$109,492,000) and shareholders' equity of approximately HK\$2,213,608,000 (2018: HK\$2,145,072,000).

As at 31 March 2019, the Group's current ratio was approximately 2.6 (2018: 2.55) and gearing ratio was nil (2018: 10.92%).

CAPITAL COMMITMENT

As at 31 March 2019, except for the capital commitment amounting to approximately HK\$307,622,000 (2018: HK\$754,344,000), the Group had no other material capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2019, a wholly-owned subsidiary of the Company in the PRC, 大連創和置地有限公司 (“大連創和”) provided corporate guarantees and a pledge of assets to third parties and thus had contingent liabilities amounting to RMB200,000,000 (2018: RMB200,000,000).

Referring to the unaudited management accounts as at 30 April 2019 of 創達地產, it had a net asset value of approximately RMB236,005,000 and thus it should have sufficient assets to cover the above liabilities.

Up to 27 June 2019 (i.e. the date of the annual report of the Company for the year ended 31 March 2019), 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, the Directors believed that the probability of suffering any significant loss by the Group from the above corporate guarantees and pledge was low. As such, no provision for loss was made.

MATERIAL DISPOSALS DURING THE YEAR

Disposal of 100% equity interests of China Value Assets Limited and Merit Development Limited

On 12 July 2018, the Company entered into a disposal agreement with a third party in relation to the disposal of 100% equity interests of China Value Assets Limited and Merit Development Limited at the consideration of HK\$33,000,000. The disposal was completed on 28 September 2018. Details of the disposal were disclosed in the announcements dated 12 July 2018 and 28 September 2018.

Disposal of the entire registered capital of Shaanxi Hewan Transportation Energy Co., Ltd.* (陝西和萬交通能源有限責任公司)

On 21 September 2018, the Company entered into a disposal agreement with a third party in relation to the disposal of the entire registered capital of 陝西和萬交通能源有限責任公司 at the consideration of approximately HK\$4,820,000. The disposal had been completed on the same date.

Save as disclosed above, there was no other material acquisitions or disposals of the Company during the year ended 31 March 2019.

* For identification purposes only

SUBSEQUENT EVENTS AFTER THE YEAR ENDED 31 MARCH 2019

- (a) On 4 April 2019, Beijing Qiaofeng Commercial Trading Company Limited* (北京僑豐商貿有限公司) (“**Beijing Qiaofeng**”), a wholly-owned subsidiary of the Company, and Guangxi Spring Water Ding Dong Beverages Company Limited* (廣西泉水叮咚飲品有限公司) (“**the Supplier**”), an associate of the Company, entered into the agreement pursuant to which the Supplier agreed to supply and Beijing Qiaofeng agreed to procure the Bottled Water Products. Details of which are set out in the announcement of the Company dated 4 April 2019.
- (b) In mid-April 2019, the Purchaser received a notice from the Vendor that it was anticipated that they would not be able to complete the construction of the Shenyang Properties and delivered the same to the Purchaser in accordance with the agreed terms of the Sale and Purchase Agreement on 12 October 2017. The Vendor proposed to terminate the Sale and Purchase Agreement. On 24 April 2019, after arm's length negotiations between the Vendor and the Purchaser, the parties entered into a termination agreement. Details of which are set out in the announcement of the Company dated 24 April 2019.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The Group currently did not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitored the related foreign currency exposure closely and would consider hedging significant foreign currency exposures should the need arise.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of approximately 47 (2018: 42) employees in Hong Kong and the PRC as at 31 March 2019. The total cost (staff salaries, directors' emoluments and other staff costs) for the year ended 31 March 2019 amounted to approximately HK\$9,638,000 (2018: HK\$10,272,000). Remuneration packages were generally structured according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and subsidises employees in various training and continuous education programs.

SHARE OPTION SCHEME

As at 31 March 2019, the number of shares in respect of which share options remained outstanding under 2002 Share Option Scheme was 220,000. The number of shares in respect of which share options remained outstanding under 2011 Share Option Scheme was 99,400,000.

* For identification purposes only

CHARGES ON GROUP ASSETS

As at 31 March 2019, a land use right located in Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC of approximately HK\$121,229,000 (2018: HK\$129,536,000) was pledged to a bank for a recurring loan granted to a third party. For the details, please refer to the paragraph headed "CONTINGENT LIABILITIES".

(3) FOR THE YEAR ENDED 31 MARCH 2020

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 March 2020 is set out below.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, 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 ended 31 March 2020, 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 goods trading 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 ended 31 March 2020. The gross loss was mainly attributable to loss on sales of properties in Dalian due to higher development costs arising 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 ended 31 March 2020, 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 ended 31 March 2020, 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 ended 31 March 2020 (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 ended 31 March 2020 (2019: HK\$32,947,000). The increase was mainly due to increase in the number of staff.

Material Impairment Losses

For the year ended 31 March 2020, the Group provided impairment losses for 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 arose 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 paragraph headed "BUSINESS REVIEW" above.

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 ended 31 March 2020.

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 ended 31 March 2020 (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 ended 31 March 2020 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 ended 31 March 2020 (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 Spring Water which had a wholly-owned subsidiary in Guangxi ("**Guangxi Spring Water Ding Dong**"). Guangxi Spring Water Ding Dong possessed a water procurement permit for production and sales of bottled water and was currently in operation in Guangxi. According to a valuation report issued by an independent qualified valuer, the value of the water procurement permit as at 31 March 2020 was RMB1,392,190,000.

During the year ended 31 March 2020, 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. Losses decrease was because Guangxi Spring Water Ding Dong had a significant growth in sales and a decrease in production costs in the year ended 31 March 2020.

On 4 April 2019, the Group entered into a supply agreement with Guangxi Spring Water 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 ended 31 March 2020, 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 held 67% equity interests of Good Union (China) Limited which had a wholly-owned subsidiary in Hunan. It possessed a water mineral licence for exploitation of mineral water in Hunan. Due to the outbreak of COVID-19 since January 2020, the construction works of factory were 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 ended 31 March 2020.

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 vendor was not able to satisfy the production volume guarantee for the year 2019 since production has not commenced yet. 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 was 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 Zengcheng of Guangdong Province; (iv) exchange losses; and (v) operating expenses.

Property Development

Dalian Properties

Dalian Chuanghe commenced to handover the properties to buyers in April 2019. For the year ended 31 March 2020, 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 ended 31 March 2020 for completed properties held for sale and properties under development respectively.

Property Investment

Yantian Properties

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

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

* For identification purposes 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 RMB90,000,000 in accordance with the payment terms stated in the sales and purchase agreement. The remaining balance of the consideration of approximately RMB10,000,000 shall be paid within 30 days from the date on which the relevant building ownership certificates are issued in favour of the purchaser which is an indirect wholly-owned subsidiary of the Company (the "**Jinma Industry Park Purchaser**"). The vendor shall register the title of the property under the name of the Jinma Industry Park Purchaser on or before 31 December 2018 (or such other date as may be mutually agreed).

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

As at 31 March 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 29 June 2020 (i.e. the date of the annual report for the year ended 31 March 2020), 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 ended 31 March 2020.

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 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 ended 31 March 2020.

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.

* For identification purposes only

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 take up the responsibilities to repay the Refund Amount and the related compensation and interests to the Group and provide his personal assets as securities. The Group agreed to extend the repayment date to 24 April 2020, with an interest rate of 5.25% per annum. Details of 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 to recover the Refund Amount or enforce the securities if necessary. 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 29 June 2020 (i.e. the date of the annual report for the year ended 31 March 2020), the Group has received a partial payment of the Refund Amount and related compensation and interest of approximately HK\$16,900,000.

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 demand the refund of the consideration in the amount of RMB274,000,000 pursuant to the terms and conditions of the acquisition agreements and the payment of an additional sum representing not less than 3% thereof as compensation (details of which were disclosed in the announcement dated 18 January 2017). As at 31 March 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 2020 annual report, 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 purposes only

After reviewing the past repayment history, and the behaviour 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 a result, the outstanding refundable amount of approximately HK\$68,458,000 has been fully provided for the year ended 31 March 2020 (2019: HK\$1,087,000).

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 ended 31 March 2020, 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.

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 competitive strength in its core business, i.e. water business, property development and property investment business and look for appropriate business and investment opportunities in these areas. The management also remains open for other business opportunities whenever the same arise.

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 <i>HK\$'000</i>	Unrealised fair value loss for the year ended 31 March 2020 <i>HK\$'000</i>	Fair value as at 31 March 2020 <i>HK\$'000</i>	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
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%

FUND RAISING ACTIVITIES OF THE GROUP

Placing of Shares on 3 August 2018

The net proceeds (net of all relevant costs and expenses) from placing of shares under specific mandate on 3 August 2018 were approximately HK\$316,500,000. Details of the placing of shares were set out in the announcements of the Company dated 17 April 2018 and 3 August 2018 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 the Shenyang Properties. As disclosed in the announcements dated 24 April 2019, 1 November 2019, 29 April 2020 and 8 May 2020, the acquisition of the 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 ended 31 March 2020.

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 has no material acquisition or disposal during the year ended 31 March 2020.

SUBSEQUENT EVENTS AFTER THE YEAR ENDED 31 MARCH 2020

- (a) On 24 April 2020, the extended repayment deadline, Mr. Li Yuguo, a substantial Shareholder, the chairman and an executive Director of the Company, has not yet repaid Refund Amount relating to the termination of the acquisition of Shenyang Properties and the related compensation and interests to Asiatic Investment Limited (國成投資有限公司), an indirect wholly-owned subsidiary of the Company. The Company issued a debt collection letter to Mr. Li Yuguo 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 29 June 2020 (i.e. the date of the annual report for the year ended 31 March 2020), the Group has received a partial payment of Refund Amount and related compensation and interest of approximately HK\$16,900,000.

On 3 July 2020, the Purchaser and Mr. Li Yuguo entered into the Further Supplemental Agreement.

- (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.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

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

EMPLOYEE AND REMUNERATION POLICY

The Group had 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 were generally structured according to market environment and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and subsidises employees in various training and continuous education programs.

SHARE OPTION SCHEME

As at 31 March 2020, there were no outstanding share options under 2002 Share Option Scheme and 2011 Share Option Scheme.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, the Group had capital commitments of approximately HK\$143,037,000 (2019: HK\$307,622,000) for acquisition of investment properties, property development expenditure and construction cost for water exploitation activities in Hunan.

FINANCIAL GUARANTEE CONTRACTS

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

Up to 29 June 2020 (i.e. the date of the annual report for the year ended 31 March 2020), 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, 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.

CHARGES ON GROUP ASSETS

The Group did not have any charges over the Group's assets as at 31 March 2020. As at 31 March 2020, the Group had a land use right located in Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC of approximately HK\$121,229,000 which was pledged to a bank for a recurring loan granted to a third party. For the details, please refer to the paragraph headed “FINANCIAL GUARANTEE CONTRACTS”.

1. RESPONSIBILITY STATEMENT

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

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

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

Long positions in Shares as at the Latest Practicable Date:

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

Notes:

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

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

3. SUBSTANTIAL SHAREHOLDERS

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

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

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

Notes:

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

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, save as disclosed herein:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the date of this circular and which was significant in relation to the business of the Group as a whole.

6. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

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

Pelican Financial Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

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

7. COMPETING INTERESTS

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

8. MATERIAL ADVERSE CHANGE

Reference is made to the annual report of the Company for the year ended 31 March 2020. As disclosed in such annual report, the loss was mainly attributable to: (a) loss on sales of properties; (b) impairment loss on completed properties held for sales; (c) impairment loss on properties under development; (d) impairment loss on deposits paid resulting from the decrease in fair values of the underlying property investments in the PRC and long outstanding refundable deposits related to Zengcheng properties; (e) impairment loss on intangible assets; (f) share of loss of an associate; and (g) exchange losses for the year ended 31 March 2020. Please refer to the relevant annual report of the Company for further details.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. LITIGATION

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

10. MATERIAL CONTRACTS

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

- (a) Supply agreement dated 4 April 2019 entered into between Beijing Qiaofeng Commercial Trading Co. Ltd., a wholly owned subsidiary of the Company, as the purchaser and 廣西泉水叮咚飲品有限公司 (Guangxi Spring Water Ding Dong Beverages Co. Ltd.*), a wholly-owned subsidiary of Spring Water Ding Dong, which is owned by Jiu Tai International Resources Company Limited and the Group, as the Supplier in relation to supply bottled water products at a consideration of RMB1,440,000. Please refer to the Company's announcement dated 4 April 2019 for details;
- (b) Subscription agreement dated 17 April 2018 entered into between the Company and Mr. Li Yuguo, the chairman, executive Director and substantial Shareholder of the Company, in relation to the subscription for subscription of 1,268,000,000 Shares at a total subscription price of HK\$317,000,000. Please refer to the Company's announcement dated 17 April 2018 for details;
- (c) Supplemental agreement dated 3 May 2018 to (i) the acquisition agreement dated 24 June 2014 in relation to acquisition of certain properties (the "**First Property**") located in Jinma Creative Industry Park (formerly known as "**Kingma Information Logistic Park**") ("**Jinma Creative Industry Park**"), a storage, research and development and commercial development situated at depot No. 2, 3rd Road and Shenyan Road Intersect, Inner Logistic Park, Yantian Bonded Area, Yantian District, Shenzhen City, the PRC, by 晟奕信息諮詢(深圳)有限公司 (transliterated as Shengyi Information Consulting (Shenzhen) Co., Ltd.*) (the "**Purchaser A**"), an indirect wholly-owned subsidiary of the Company, from 綜合信興鹽保物流(深圳)有限公司 (transliterated as ISH Yanbao Logistics (Shenzhen) Co. Ltd.*) (the "**Vendor A**") (the "**2014 Acquisition Agreement**") and its first supplemental agreement to the 2014 Acquisition Agreement dated 15 April 2015; (ii) the acquisition agreement dated 15 May 2015 in relation to the acquisition of certain properties (the "**Second Property**") located in Jinma Creative Industry Park by the Purchaser A from the Vendor A (the "**May 2015 Acquisition Agreement**") and the acquisition agreement dated 10 November 2015 in relation to the acquisition of certain properties (the "**Third Property**", together with the First Property and the Second Property, the "**Properties**") located in Jinma Creative Industry Park by the Purchaser A from the Vendor A (as supplemented by the supplemental agreement dated 17 May 2017) entered into between the Purchaser A and Vendor A in relation to the delay of registration of certain properties. Please refer to the Company's announcements dated 3 May 2018 and 10 May 2018 for details;

* For identification purposes only

- (d) Disposal agreement dated 12 July 2018 entered into between the Company, Mr. Ye JunXiong, China Value Assets Limited and Merit Development Limited in relation to the disposal of the entire issued share capital of China Value Assets Limited and the entire issued share capital Merit Development Limited at a consideration of HK\$33,000,000. Please refer to the Company's announcement dated 12 July 2018 for details;
- (e) Sale and Purchase Agreement dated 12 October 2017 entered into between the Vendor and the Purchaser;
- (f) Termination Agreement dated 24 April 2019 entered into between the Vendor and the Purchaser in relation to the termination of the Sale and Purchase Agreement;
- (g) Supplemental Agreement dated 1 November 2019 entered into between the Purchaser and Mr. Li Yuguo in relation to the extension of the repayment date of the Termination Agreement;
- (h) Further Supplemental Agreement; and
- (i) Acquisition agreement dated 26 May 2020 entered into between the subsidiary of the Company, New Jumbo Group Limited, Ms. Mu Linlin and Chi Sheng Trading Company Limited in relation to the acquisition of the entire share capital of Chi Sheng Trading Company Limited at a consideration of RMB100,000,000. Please refer to the Company's announcement dated 26 May 2020 for details.

11. GENERAL

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) Further Supplemental Agreement;
- (b) Supplemental Agreement;
- (c) Termination Agreement;
- (d) the material contracts as referred to in the paragraph headed "10. Material Contracts" in this appendix;
- (e) the Bye-Laws;
- (f) the audited consolidated accounts for the Group for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- (g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 14 to 15 of this circular;
- (h) the letter from Pelican Financial Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 37 of this circular;
- (i) the written consent from Pelican Financial Limited referred to the section headed "Expert's Consent and Qualification" of this appendix; and
- (j) this circular.

Asia Resources Holdings Limited

亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Asia Resources Holdings Limited (the “Company”) will be held at Units 1302-03, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Tuesday, 15 September 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the Further Supplemental Agreement dated 3 July 2020 to the termination agreement, details of which are disclosed in the circular of the Company dated 24 August 2020 entered into between Asiatici Investment Limited and Mr. Li Yuguo (a copy of the Further Supplemental Agreement is marked “A” and produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder and the execution thereof be and are hereby ratified, confirmed and approved; and
- (b) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify and execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Further Supplemental Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/their opinion, in the interests of the Company and its shareholders.”

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

Hong Kong, 24 August 2020

* For identification purposes only

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, subject to the provisions of the bye-laws of the Company, vote in his/her stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than Sunday, 13 September 2020 at 11:00 a.m. (Hong Kong Time) or not less than 48 hours before the time for holding the said meeting or any adjourned meeting.
3. For determining the entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Thursday, 10 September 2020 to Tuesday, 15 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 9 September 2020.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof, should he/she so wish, and in such event, the authority of the proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to, but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect at the time of the Meeting, the Meeting will be held as scheduled unless further notice posted on the websites of the Company at <http://www.asiaresources899.com.hk> and the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.

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

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