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# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 899)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The Board of Directors (the “Board”) of Asia Resources Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30 September 2017 together with the comparative figures for the previous corresponding period as follows:

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

*For the six months ended 30 September 2017*

		<b>For the six months ended 30 September</b>	
		<b>2017</b>	2016
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue, net	5	<b>1,838</b>	3,734
Other income and gain/(losses)	6	<b>1,245</b>	(1,603)
Administrative expenses		<b>(17,796)</b>	(49,486)
Share of results of associates		<b>3,867</b>	(442)
Gain/(loss) on disposal of subsidiaries	7	<b>6,926</b>	(110)
Finance costs	8	<b>(54,885)</b>	(15,941)
<b>Loss before taxation</b>	9	<b>(58,805)</b>	(63,848)
Taxation	10	<b>(981)</b>	–
<b>Loss for the period</b>		<b>(59,786)</b>	(63,848)

\* *For identification purposes only*

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

*For the six months ended 30 September 2017*

	<b>For the six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>(unaudited)</b>	(unaudited)
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income/(loss), net of tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<b>62,897</b>	(52,300)
Reclassification adjustments relating to foreign operations disposed during the period	<u>–</u>	<u>123</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u><b>62,897</b></u>	<u>(52,177)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><b>3,111</b></u>	<u>(116,025)</u>
<b>Loss attributable to:</b>		
– Owners of the Company	<b>(59,186)</b>	(63,440)
– Non-controlling interests	<u>(600)</u>	<u>(408)</u>
	<u><b>(59,786)</b></u>	<u>(63,848)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
– Owners of the Company	<b>3,734</b>	(115,335)
– Non-controlling interests	<u>(623)</u>	<u>(690)</u>
	<u><b>3,111</b></u>	<u>(116,025)</u>
	<b>HK\$</b>	<b>HK\$</b>
<b>Loss per share attributable to owners of the Company:</b>		
– Basic and diluted	<i>11</i> <u><b>0.010</b></u>	<u>0.012</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		At 30 September 2017 (unaudited) <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	13	38,335	39,630
Intangible assets	14	378,318	–
Interests in associates	15	238,759	427,228
Deposits paid	18	528,293	361,011
		<b>1,183,705</b>	<b>827,869</b>
<b>Current assets</b>			
Properties under development	16	789,091	765,866
Loan receivables	17	111,974	38,344
Prepayments, deposits and other receivables	18	197,679	317,360
Financial assets at fair value through profit or loss		6,341	7,762
Amount due from an associate	15	–	11,789
Bank balances and cash		426,205	464,026
		<b>1,531,290</b>	<b>1,605,147</b>
Assets classified as held for sale	19	188,142	–
		<b>1,719,432</b>	<b>1,605,147</b>
<b>Current liabilities</b>			
Trade payables	20	37,869	39,560
Other payables and accruals	21	149,865	166,847
Tax payables		1,109	223
Convertible bonds	23	221,599	–
Receipts in advance		202,870	100,082
		<b>613,312</b>	<b>306,712</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*At 30 September 2017*

		At <b>30 September</b> <b>2017</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Net current assets</b>		<u>1,106,120</u>	<u>1,298,435</u>
<b>Total assets less current liabilities</b>		<u>2,289,825</u>	<u>2,126,304</u>
<b>Capital and reserves</b>			
Share capital	22	1,585,923	1,335,923
Reserves		<u>552,024</u>	<u>548,290</u>
<b>Total equity attributable to owners of the Company</b>		<b>2,137,947</b>	1,884,213
<b>Non-controlling interests</b>		<u>110,409</u>	<u>(9,147)</u>
		<u>2,248,356</u>	<u>1,875,066</u>
<b>Non-current liabilities</b>			
Convertible bonds	23	–	209,769
Deferred tax liabilities		<u>41,469</u>	<u>41,469</u>
		<u>41,469</u>	<u>251,238</u>
		<u>2,289,825</u>	<u>2,126,304</u>

## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **1. GENERAL**

Asia Resources Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company, while its subsidiaries (hereinafter the Company and its subsidiaries are collectively referred to as the “Group”) are principally engaged in water exploitation operations, property sales and investment operations in the People’s Republic of China (the “PRC”), engaged in iron ore exploration, exploitation and trading operations in Indonesia, and engaged in investing and financing operations in Hong Kong.

According to the register of substantial shareholder maintained by the Company, at 30 September 2017, substantial shareholders of the Company were Mr. Yang Xiaoqiang and Mr. Li Yuguo.

The interim financial report is presented in Hong Kong Dollars (“HK\$”), which is the same as the functional currency of the Company.

### **2. BASIS OF PREPARATION**

The interim financial report has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report was approved for issue on 30 November 2017. This interim financial report has not been audited.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial report has been prepared on the historical cost basis.

The interim financial report for the six months ended 30 September 2017 has been prepared in accordance with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 March 2017.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2017. The application of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim financial report and amounts reported for the current interim period and prior years.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the interim financial report.

### **4. SEGMENT INFORMATION**

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

The Group has the following continuing operating segments during the period. These segments are managed separately. No operating segments have been aggregated to for the following reportable segments.

- (1) For water exploitation operations, the CODM regularly reviews the performance of the water exploitation operations in the PRC. These operations have been aggregated into a single operating segment and named “Water exploitation operations”.
- (2) For iron ore exploration, exploitation and trading operations, the CODM regularly reviews the performance of the iron ore operations in Indonesia. These operations have been aggregated into a single operating segment and named “Iron ore exploration, exploitation and trading operations”.
- (3) For investing and financing operations, the CODM regularly reviews the performance of the investing and financing operations. These operations have been aggregated into a single operating segment and named “Investing and financing”.
- (4) For property sales and investment operations, the CODM regularly reviews the performance of the property sales and investment operations. These operations have been aggregated into a single operating segment and named “Property sales and investment”.

There were no inter-segment sales during the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$Nil).

#### 4. SEGMENT INFORMATION (CONTINUED)

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

##### Six months ended 30 September

	Water exploitation operations		Iron ore exploration, exploitation and trading operations		Investing and financing		Property sales and investment		Unallocated		Consolidation	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers	-	-	-	-	1,838	3,734	-	-	-	-	1,838	3,734
Total revenue	-	-	-	-	1,838	3,734	-	-	-	-	1,838	3,734
Segment results	(828)	-	(1,016)	(1,615)	(1,037)	(216)	(1,039)	(1,446)	-	-	(3,920)	(3,277)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	59	-	(11)	-	-	-	-	-	48
Other income and gain	-	-	-	116	-	-	21	-	1,224	830	1,245	946
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	6,926	2	6,926	2
Fair value changes on financial assets at fair value through profit or loss	-	-	-	-	(1,421)	(2,549)	-	-	-	-	(1,421)	(2,549)
Central administration costs	-	-	-	-	-	-	-	-	(10,617)	(42,635)	(10,617)	(42,635)
Share of results of associates	3,867	-	-	-	-	-	-	-	-	(442)	3,867	(442)
Finance costs	-	-	-	-	-	(35)	-	-	(54,885)	(15,906)	(54,885)	(15,941)
Loss before taxation											(58,805)	(63,848)
Taxation											(981)	-
Loss for the period											(59,786)	(63,848)

#### 4. SEGMENT INFORMATION (CONTINUED)

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

	Water exploitation operations		Iron ore exploration, exploitation and trading operations		Investing and financing		Property sales and investment		Consolidation	
	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
<b>ASSETS</b>										
Segment assets	393,694	-	2,940	3,040	119,997	47,666	1,526,117	1,425,076	2,042,748	1,475,782
Unallocated corporate assets									860,389	957,234
									<u>2,903,137</u>	<u>2,433,016</u>
<b>LIABILITIES</b>										
Segment liabilities	(26,466)	-	(4)	(6)	(1,205)	(1,270)	(340,804)	(329,516)	(368,479)	(330,792)
Unallocated corporate liabilities									(286,302)	(227,158)
									<u>(654,781)</u>	<u>(557,950)</u>

#### 5. REVENUE, NET

	For the six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Investing and financing, net	<u>1,838</u>	<u>3,734</u>

## 6. OTHER INCOME AND GAIN/(LOSSES)

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income on bank deposit	85	1,040
Sundry and other operating income	932	196
Fair value change on financial assets at fair value through profit or loss	–	(2,549)
Exchange gain/(loss), net	228	(290)
	<u>1,245</u>	<u>(1,603)</u>

## 7. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

- (a) On 27 April 2017, the Group has disposed of 60% equity interests of Shenzhen Penghongsheng Industrial Development Company Limited\* (深圳鵬鴻昇實業發展有限公司) (“Penghongsheng”), an indirect wholly-owned subsidiary of the Company at a consideration of RMB240,000,000 (equivalent to approximately HK\$271,000,000).

The net assets of subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received	270,786
Net assets disposed of:	
Interest in an associate	(256,363)
Amount due from an associate	(7,074)
Cash and cash equivalents	<u>(423)</u>
Gain on disposal of subsidiary	<u>6,926</u>
Satisfied by	
Cash	<u>270,786</u>
Net cash inflow from disposal:	
Cash consideration	270,786
Bank balance and cash disposed	<u>(423)</u>
	<u>270,363</u>

\* *For identification purposes only*

## 7. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (b) On 25 April 2016, the Group has disposed of the entire registered capital of Shenzhen Shi Longxinchang Industrial Company Limited\* (深圳市隆欣昌實業發展有限公司), a wholly-owned subsidiary of the Company at a consideration of RMB13,600,000 (equivalent to approximately HK\$16,048,000).

The net assets of subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received	16,048
Net assets disposed of:	
Prepayment	(15,930)
Cash and cash equivalents	<u>(119)</u>
	(1)
Release from translation reserve	<u>(23)</u>
Loss on disposal of subsidiary	<u>(24)</u>
Satisfied by	
Cash	<u>16,048</u>
Net cash inflow from disposal:	
Cash consideration	16,048
Bank balance and cash disposed	<u>(119)</u>
	<u>15,929</u>

\* *For identification purposes only*

## 7. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (c) On 25 April 2016, the Group has disposed of its entire registered capital of 深圳聚昌源實業發展有限公司, a wholly-owned subsidiary of the Company at a consideration of RMB41,000,000 (equivalent to approximately HK\$48,397,000).

The net assets of subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received	48,397
Net assets disposed of:	
Prepayment	(47,217)
Cash and cash equivalents	<u>(1,178)</u>
	2
Release from translation reserve	<u>(88)</u>
Loss on disposal of subsidiary	<u>(86)</u>
Satisfied by	
Cash	<u>48,397</u>
Net cash inflow from disposal:	
Cash consideration	48,397
Bank balance and cash disposed	<u>(1,178)</u>
	<u>47,219</u>

## 8. FINANCE COSTS

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(unaudited)</b>	(unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Imputed interest on convertible notes	<b>16,740</b>	15,907
Interests paid on promissory notes	<b>4,509</b>	–
Loss on redemption of promissory notes	<b>33,599</b>	–
Other interest	<b>37</b>	34
	<u><b>54,885</b></u>	<u>15,941</u>

## 9. LOSS BEFORE TAXATION

	For the six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The Group's loss before taxation is carried at after charging/(crediting)		
Depreciation of property, plant and equipment	754	877
Staff cost (including directors' remuneration)	3,494	34,906
Minimum lease payments under operating lease	1,077	1,115
Gain on disposal of property, plant and equipment	–	(48)
Fair value change on financial asset at fair value through profit or loss	1,421	2,549

## 10. TAXATION

	For the six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Current tax:</b>		
– Enterprise Income Tax	981	–

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the general tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit for the period (six months ended 30 September 2016: HK\$Nil).

No provision for Indonesia Corporate Income Tax has been made as the Group's operation in Indonesia had no assessable profit for the period (six months ended 30 September 2016: HK\$Nil).

## 11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	For the six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company	<u>(59,186)</u>	<u>(63,440)</u>
	<b>Shares (unaudited)</b>	<b>Shares (unaudited)</b>
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share ( <i>Note</i> )	<u>5,638,771,967</u>	<u>5,343,690,000</u>

*Note:*

The basic and diluted loss per share are the same for the six months ended 30 September 2017 and 2016, as the effect of the share options and convertible notes/bonds would be anti-dilutive and were not included in the calculation of diluted loss per share.

## 12. DIVIDENDS

On 30 November 2017, no interim dividend was declared by the Company for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$Nil).

### 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group has acquired property, plant and equipment of HK\$Nil (six months ended 30 September 2016: approximately HK\$1,904,000). The items of property, plant and equipment with carrying amount of approximately HK\$32,000 (six months ended 30 September 2016: approximately HK\$243,000) were disposed during the six months ended 30 September 2017.

At 30 September 2017, no property, plant and equipment has been pledged to secure credit facilities (31 March 2017: HK\$Nil).

### 14. INTANGIBLE ASSETS

	<b>Exclusive right HK\$'000 (Note 1)</b>	<b>Water mining licence HK\$'000 (Note 2)</b>	<b>Total HK\$'000</b>
<b>Cost</b>			
At 1 April 2016 (audited), 31 March 2017 (audited) and 1 April 2017 (audited)	576,334	–	576,334
Additions on acquisition of subsidiaries	–	374,427	374,427
Acquisition-related cost capitalised	–	3,891	3,891
	<u>576,334</u>	<u>378,318</u>	<u>954,652</u>
<b>At 30 September 2017 (unaudited)</b>	<b>576,334</b>	<b>378,318</b>	<b>954,652</b>
<b>Accumulated amortisation and impairment</b>			
At 1 April 2016 (audited), 31 March 2017 (audited), 1 April 2017 (audited) and 30 September 2017 (unaudited)	576,334	–	576,334
	<u>576,334</u>	<u>–</u>	<u>576,334</u>
<b>Carrying amount</b>			
<b>At 30 September 2017 (unaudited)</b>	<b>–</b>	<b>378,318</b>	<b>378,318</b>
	<u>–</u>	<u>378,318</u>	<u>378,318</u>
At 31 March 2017 (audited)	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

## 14. INTANGIBLE ASSETS (CONTINUED)

### *Notes:*

1. Exclusive right represents the Deed of Statement and Power of Attorney dated 12 September 2009 and made between PT. Indo Modern Mining Sejahtera (“Indo”), the holder of the operation licence in the mining area located in Lumajang, East Java, Indonesia, and PT. Dampar Golden International (“PT. Dampar”), pursuant to which, Indo grants exclusive rights and authorities to PT. Dampar to manage and arrange all activities in the mining area on behalf of Indo.

Exclusive right is amortised on a straight-line basis over its estimated useful economic life. The useful economic life of the exclusive right was estimated with reference to the validity of the operation licence held by Indo. The operation licence was valid for ten years from 21 July 2010 and the holder was entitled to apply for renewal for two times with a 10-year term each.

The capitalised cost of the exclusive right was amortised over the remaining period of the licence as from 1 April 2014 to 20 July 2020. Amortisation was fully provided during the year ended 31 March 2016 after impairment loss of HK\$26,557,000 was recognised.

During the year ended 31 March 2014, the Ministerial Regulation No. 1/2014 was promulgated by the Indonesian Government with effect from 1 January 2014. According to the regulation, the Indonesian Government stopped the export of unprocessed mineral products with a view to encouraging the upgrading of minerals through processing and refining before such minerals can be exported. To mitigate this negative effect, the Company entered into a purchase agreement to purchase equipment for the purpose of refining the iron sand to sponge iron of higher than 75% Fe employing the direct reduction method. For the details, please refer to the Company’s announcements dated 24 January 2014 and 2 May 2014 respectively.

During the period under review, the export restriction of iron sand was still in force and the purity level of the iron sand did not meet the minimum requirement of Ministerial Regulation, and therefore the management had decided to stem the export of the iron sand and trading business. The Group is required to assess any indication of impairment at the end of each reporting period. As at 30 September 2017, the aforementioned export restriction of iron sand is still in force, and the management has the judgement that the iron sand and trading business is not able to be resumed in the foreseeable future, therefore no reversal of impairment was recognised for the exclusive right for the six months ended 30 September 2017.

2. The water mining licence represents the right to conduct water exploitation activities in Hunan.

No amortisation was provided for the six months ended 30 September 2017 as commercial production has not yet commenced during the period.

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

## 15. INTERESTS IN ASSOCIATES

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Cost of interests in associates		
At the beginning of the period	427,228	456,313
Acquisition during the period	234,892	–
Disposed during the period	(427,228)	–
Share of post-acquisition profits/(losses) and other comprehensive income/(loss) during the period, net of dividends received	3,867	(29,085)
At the end of the period	<u>238,759</u>	<u>427,228</u>
Amount due from an associate ( <i>note a</i> )	<u>–</u>	<u>11,789</u>

### Notes:

- (a) Amount due from an associate is unsecured, interest-free and recoverable on demand.
- (b) On 6 June 2017 and 28 August 2017, Hongyuan, entered into a second disposal agreement and a supplemental agreement respectively, with Shenzhen Shi Anye in relation to the disposal of remaining 40% equity interests in Penghongsheng, pursuant to which Honyuan had conditionally agreed to sell and Shenzhen Shi Anye had conditionally agreed to purchase 40% equity interests in Penghongsheng and Hongyuan had conditionally agreed to sell and to procure certain members of the Group to sell and Shenzhen Shi Anye had conditionally agreed to purchase the amounts owed by Penghosheng to Hongyuan and certain members of the Group for the disposal consideration of RMB160,000,000 (equivalent to approximately HK\$188,000,000). As at 30 September 2017, the disposal group was reclassified to assets classified as held for sale. The disposal was subsequently completed on 30 October 2017.
- (c) The Group entered into an acquisition agreement with Jiu Tai International Resources Company Limited (a company beneficially owned by our substantial shareholder, Mr. Li Yuguo) 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.

## 15. INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of associate	Form of business and structure	Place of incorporation/ operation	Class of shares/ registered capital held	Proportion of nominal value of paid capital/ registered capital and voting power held by the Group		Principal activities
				At	At	
				30 September 2017 (unaudited)	31 March 2017 (audited)	
Hong Kong Spring Water Ding Dong Group Company Limited	Incorporated	Hong Kong	Registered	20%	Nil	Investment holding
Guangxi Kangzhiyuan Natural Mineral Water Company Limited* (廣西康之源天然山泉水有限責任公司)	Incorporated	The PRC	Registered	20%	Nil	Production and sales of bottled water
Shenzhen Zhaosheng Anye Investment Development Company Limited* (深圳招商安業投資發展有限公司)	Incorporated	The PRC	Registered	Nil	35%	Property development and operation

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

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Current assets	<u>25,586</u>	<u>358,800</u>
Non-current assets	<u>1,523,075</u>	<u>289</u>
Current liabilities	<u>558,144</u>	<u>377,705</u>

\* For identification purposes only

## 15. INTERESTS IN ASSOCIATES (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the interim financial report.

	At 30 September 2017 (unaudited) <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
Net liabilities of the associates as at acquisition date	(33,841)	(15,723)
Proportion of the Group's ownership interests in the associates	<u>20%</u>	<u>35%</u>
Cost of interests in associates		
Unlisted outside Hong Kong	–	(5,503)
Unlisted in Hong Kong	(6,768)	–
Excess of the net fair value of the identifiable assets and liabilities over the cost of the investment	210,217	–
Goodwill	31,443	467,812
Share of post-acquisition profits/(losses) and other comprehensive income/(loss), net of dividends received	<u>3,867</u>	<u>(35,081)</u>
Carrying amount of the Group's interests in associates	<u><b>238,759</b></u>	<u>427,228</u>

## 16. PROPERTIES UNDER DEVELOPMENT

	At 30 September 2017 (unaudited) <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
Properties under development	<u><b>789,091</b></u>	<u>765,866</u>

Properties under development related to the residential property construction held for sale located in Beibu District, Jinshitan, Jinzhou New District, Dalian, the PRC.

As at 30 September 2017, the balance included land use rights of approximately HK\$189,360,000 (31 March 2017: HK\$195,125,000). Upon completion of the construction, the land use rights will be transferred to property held for sale.

## 16. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

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

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Located in the PRC, held on: Leases of between 10 and 50 years	<u>789,091</u>	<u>765,866</u>

## 17. LOAN RECEIVABLES

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Loan receivables	110,300	37,595
Interest receivables	<u>1,674</u>	<u>749</u>
	<u>111,974</u>	<u>38,344</u>

The maturity profile of the loan receivables at the end of the reporting period, analysed by the maturity date, is as follows:

	At 30 September 2017 (unaudited) HK\$'000	At 31 March 2017 (audited) HK\$'000
Within 1 year	<u>111,974</u>	<u>38,344</u>

The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong Dollars. The loan receivables were repaid in accordance with the terms of the loan agreements and all loan receivables are recoverable within one year.

All loan receivables are secured, bearing interest and are receivable with fixed terms agreed with customers. They are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the loan receivables.

As at 30 September 2017, the effective interest rate on the Group's loan receivables is approximately 16.51% (31 March 2017: approximately 12.4%) per annum. During the period, interest income of approximately HK\$1,838,000 (six months ended 30 September 2016: approximately HK\$3,734,000) has been recognised as revenue.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2017 (unaudited) <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
Non-current assets:		
Deposits paid ( <i>note i</i> )	<u>528,293</u>	<u>361,011</u>
Current assets:		
Deposits paid ( <i>note ii</i> )	130,446	273,698
Prepayments ( <i>note iii</i> )	9,359	8,371
Other receivables ( <i>note iv</i> )	<u>57,874</u>	<u>35,291</u>
	<u>197,679</u>	<u>317,360</u>

### Notes:

- (i) As at 30 September 2017, the amount represents the deposits paid to the vendors for the acquisition of properties. Included in deposit for acquisition of investment properties, deposits paid of approximately HK\$293,496,000 (31 March 2017: approximately HK\$282,040,000) was in relation to the acquisition of three properties in PRC and the Group has obtained physical possession of the properties. As at 30 September 2017, the title of the three properties was still in the course of registering under the name of the Group. Details of which are set out in the announcement of the Company dated 17 May 2017. Another deposit of approximately HK\$234,797,000 (31 March 2017: approximately HK\$78,971,000) included in deposit for acquisition of properties was in relation to the acquisition of properties in Beijing. Details of which are set out in the announcement of the Company dated 28 February 2017.
- (ii) As at 30 September 2017, other deposits paid were mainly relating to 1) two buildings naming right located in Shenzhen of approximately HK\$21,098,000 (31 March 2017: approximately HK\$20,274,000) and 2) acquisition of investment properties of approximately HK\$108,562,000 (31 March 2017: approximately HK\$252,708,000). The related acquisition of investment properties was cancelled during the year ended 31 March 2017 and the amount of deposit paid of approximately HK\$252,708,000 will be fully recoverable. As of the date of this report, amount of approximately RMB183,000,000 was received of which approximately RMB133,000,000 (approximately HK\$156,140,000) was received during the six months ended 30 September 2017.
- (iii) As at 30 September 2017, prepayments were mainly comprised of prepayment of construction cost of properties under development.
- (iv) As at 30 September 2017, other receivables were mainly comprised of other tax recoverable in the PRC, payable to third party for a potential business co-operation and cash advanced to staff.

## 19. ASSETS CLASSIFIED AS HELD FOR SALE

**At  
30 September  
2017  
(unaudited)  
HK\$'000**

Assets classified as held for sale	<u><b>188,142</b></u>
------------------------------------	-----------------------

*Note:*

### **Disposal group held for sale**

On 6 June 2017 and 28 August 2017, Hongyuan, entered into a second disposal agreement and a supplemental agreement respectively, with Shenzhen Shi Anye in relation to the disposal of remaining 40% equity interests in Penghongsheng, pursuant to which Honyuan had conditionally agreed to sell and Shenzhen Shi Anye had conditionally agreed to purchase 40% equity interests in Penghongsheng and Hongyuan had conditionally agreed to sell and to procure certain members of the Group to sell and Shenzhen Shi Anye had conditionally agreed to purchase the amounts owed by Penghonsheng to Hongyuan and certain members of the Group for the disposal consideration of RMB160,000,000 (equivalent to approximately HK\$188,000,000). The carrying amount of related assets and liabilities are stated at the lower of carrying amount and their fair value less costs to sell and, accordingly, no impairment loss was recognised. The disposal was subsequently completed on 30 October 2017.

## 20. TRADE PAYABLES

	<b>At 30 September 2017 (unaudited) HK\$'000</b>	<b>At 31 March 2017 (audited) HK\$'000</b>
Trade payables	<u><b>37,869</b></u>	<u>39,560</u>

## 20. TRADE PAYABLES (CONTINUED)

The following is an ageing analysis of trade payables at the respective reporting date:

	At <b>30 September</b> <b>2017</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
0 to 90 days	–	–
91 to 180 days	–	850
181 to 365 days	<b>850</b>	30,385
Over 365 days	<b>37,019</b>	8,325
	<hr/> <b>37,869</b>	<hr/> 8,325
	<hr/> <b>37,869</b>	<hr/> <b>39,560</b>

## 21. OTHER PAYABLES AND ACCRUALS

	At <b>30 September</b> <b>2017</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 March 2017 (audited) <i>HK\$'000</i>
Land value added tax payable	<b>87,000</b>	87,000
Accruals	<b>979</b>	2,631
Other payables	<b>51,012</b>	61,331
Accrued interest on convertible bonds	<b>10,874</b>	15,885
	<hr/> <b>149,865</b>	<hr/> 15,885
	<hr/> <b>149,865</b>	<hr/> <b>166,847</b>

## 22. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary share of HK\$0.25 each		
At 1 April 2016 (audited), 31 March 2017 (audited), 1 April 2017 (audited) and 30 September 2017 (unaudited)	10,000,000,000	2,500,000
<b>Issued and fully paid:</b>		
Ordinary share of HK\$0.25 each		
At 1 April 2016 (audited), 31 March 2017 (audited) and 1 April 2017 (audited)	5,343,690,000	1,335,923
Subscription of shares ( <i>note</i> )	1,000,000,000	250,000
At 30 September 2017 (unaudited)	6,343,690,000	1,585,923

On 7 July 2017, Mr. Li Yuguang agreed to subscribe 1,000,000,000 new ordinary shares at subscription price of HK\$0.25 per share. The Company intends to utilise the net proceeds of HK\$249,900,000 for acquisition and development of business relating to natural resources or the products thereof or for working capital of the Group. The subscription was completed on 8 August 2017.

## 23. CONVERTIBLE NOTES/BONDS

On 15 October 2014, 22 October 2014 and 29 October 2014, the Company issued convertible notes due on 15 October 2016, 22 October 2016 and 29 October 2016 with a principal amount of HK\$190,000,000, HK\$190,000,000 and HK\$228,000,000, which is intercomprising 12% coupon rate per annum respectively (the "2014 CN"). The convertible notes were issued for potential future investments, including real estate projects and the general working capital of the Group. The convertible notes are designated as fair value on initial recognition and are convertible into fully paid ordinary shares with a par value of HK\$0.25 each of the Company at an initial conversion price of HK\$0.38. The effective interest rate is ranging from 14.29% to 14.64%. The Company will redeem the convertible notes if the notes have not been converted on maturity date. During the year ended 31 March 2017, outstanding convertible notes with principal amount of approximately HK\$9,997,800 were fully repaid upon maturity.

On 20 August 2015, the Company issued convertible bonds due on 20 August 2018 with a principal amount of HK\$432,000,000 which is intercomprising 4% coupon rate per annum (the "2015 CB"). The convertible bonds were issued for potential future investments, including real estate projects and the general working capital of the Group. The convertible bonds are designated as fair value on initial recognition and are convertible into fully paid ordinary shares with a par value of HK\$0.25 each of the Company at an initial conversion price of HK\$0.72. The effective interest rate is 15.71% (six months ended 30 September 2016: ranging from 15.98% to 16.02%). The Company will redeem the convertible bonds if the bonds have not been converted on maturity date. The principal amount of convertible bonds outstanding was approximately HK\$244,800,000 as at 30 September 2017.

### 23. CONVERTIBLE NOTES/BONDS (CONTINUED)

	2014 CN HK\$'000	2015 CB HK\$'000	Total HK\$'000
<b>Equity component</b>			
At 1 April 2016 (audited)	330	72,561	72,891
Redemption of convertible notes during the year	(330)	–	(330)
At 31 March 2017 (audited), 1 April 2017 (audited) and 30 September 2017 (unaudited)	<u>–</u>	<u>72,561</u>	<u>72,561</u>
<b>Liability component</b>			
At 1 April 2016 (audited)	9,646	188,448	198,094
Redemption of convertible notes during the year	(9,998)	–	(9,998)
Imputed interest expense charged	1,003	31,112	32,115
Interest paid	(651)	(9,791)	(10,442)
At 31 March 2017 and 1 April 2017 (audited)	–	209,769	209,769
Imputed interest expense charged	–	16,740	16,740
Interest paid	–	(4,910)	(4,910)
<b>At 30 September 2017 (unaudited)</b>	<u>–</u>	<u>221,599</u>	<u>221,599</u>

The fair value of the convertible bonds issued has been arrived on the basis of a valuation carried out on the date of issue by Peak Vision Appraisals Limited, independently professional valuer not connected with the Group. As at 30 September 2017, the fair value of the 2015 CB was approximately HK\$232,950,000 (31 March 2017: approximately HK\$226,645,000).

## 24. SHARE OPTIONS

The Company's share options scheme was adopted on 14 January 2002 (the "2002 Share Option Scheme") for the purposes of recognition of significant contribution of and for the provision of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors of or contractors to the Group or affiliates ("Eligible Persons"). On 12 July 2011, the Company had granted 140,500,000 share options to directors, employees and other affiliates under the 2002 Share Option Scheme.

The 2002 Share Option Scheme has 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.

The 2011 Share Option Scheme is adopted for the same purpose of the 2002 Share Option Scheme.

Under the terms of the 2011 Share Option Scheme, the Board of Directors of the Company may for a notional consideration of HK\$1 grant option to the Eligible Persons to subscribe for shares in the Company at a price no less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a business day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option. Options granted under the 2011 Share Option Scheme must be taken up within 28 business days from the date on which the offer is made by returning a written acceptance of the offer signed by the Eligible Persons together with the payment of HK\$1 per option (the "Acceptance Conditions"). Options granted and accepted may be exercised at any time for 10 years commencing on the date on which an option is accepted in accordance with the Acceptance Conditions under the 2011 Share Option Scheme (the "Option Period"). Options granted under the scheme will be exercisable in the Option Period notwithstanding that the scheme period of the 2011 Share Option Scheme does not prescribe any minimum period for which an option must be held before it can be exercised and has not specified that the exercise of an option is subject to any performance target.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the 2011 Share Option Scheme, excluding any options lapsed in accordance with the terms of the 2011 Share Option Scheme and any other share option schemes.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. Options will not be granted to any Eligible Persons if the exercise in full of all options, including any unexercised options and shares already issued under all previous option granted, would in the 12-month period up to and including the date of such further grant enable that relevant Eligible Persons to have shares exceeding 1% of the issued shares of the Company for the time being unless separate approval by the shareholders in general meeting is obtained.

## 24. SHARE OPTIONS (CONTINUED)

### 2002 Share Option Scheme

As at 30 September 2017, the number of shares in respect of which share options remained outstanding under 2002 Share Option Scheme was 220,000 (31 March 2017: 3,220,000) representing 0.003% (31 March 2017: 0.06%) of the shares of the Company in issue at the reporting date.

During the period under review, the details and movements in the share options granted under 2002 Share Option Scheme are as follows:

	Date of grant	Exercisable period	Adjusted exercise price per share (Note i) HK\$	Number of share options					Outstanding at 30 September 2017 (unaudited)
				Outstanding at 1 April 2017 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Lapsed during the period (unaudited)	Cancelled during the period (unaudited)	
Category 1: Directors	12 July 2011	12 July 2011 – 11 July 2021	1.775	140,000	-	-	-	-	140,000
Category 2: Employees	12 July 2011	12 July 2011 – 11 July 2021	1.775	3,080,000	-	-	(3,000,000)	-	80,000
Total for all categories				<u>3,220,000</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>220,000</u>
Weighted average exercise price (HK\$)				<u>1.775</u>	<u>-</u>	<u>-</u>	<u>1.775</u>	<u>-</u>	<u>1.775</u>

Note:

- (i) The closing price of the Company's shares quoted on the Stock Exchange on the date of grant was HK\$0.071 (adjusted to HK\$1.775 upon capital reorganisation became effective on 3 June 2013).

The fair value of the share options granted were priced using the Trinomial model. The inputs into the model were as follows:

	<b>2002 Share Option Scheme</b>
Grant date share price	HK\$0.071
Exercise price	HK\$0.071
Adjusted exercisable price after Capital Reorganisation	HK\$1.775
Expected volatility	78.743%
Expected option life	10 years
Dividend yield	0%
Risk-free interest rate	<u>2.796%</u>

## 24. SHARE OPTIONS (CONTINUED)

### 2011 Share Option Scheme

On 28 September 2016, 379,500,000 share options were granted to directors, employees and consultant under 2011 Share Option Scheme at an exercisable price of HK\$ 0.261 per share.

On 22 August 2017, an ordinary resolution was duly passed by the shareholders at an 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 30 September 2017, the number of shares in respect of which share options remained outstanding under 2011 Share Option Scheme was 469,800,000 (31 March 2017: 504,300,000), representing 7.41% (31 March 2017: 9.44%) of the shares of the Company in issue at the reporting date.

During the period under review, the details and movements in the share options granted under 2011 Share Option Scheme are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2017 (audited)	Granted during the period (unaudited)	Number of share options				
						Reclassification of categories during the period (unaudited)	Exercised during the period (unaudited)	Lapsed during the period (unaudited)	Cancelled during the period (unaudited)	Outstanding at 30 September 2017 (unaudited)
Category 1: Directors	26 August 2014	26 August 2014 – 25 August 2024	0.352	400,000	-	-	-	-	-	400,000
	3 October 2014	3 October 2014 – 2 October 2024	0.520	2,000,000	-	-	-	-	-	2,000,000
	20 April 2015	20 April 2015 – 19 April 2025	0.395	55,000,000	-	-	-	-	-	55,000,000
	28 September 2016	28 September 2016 – 27 September 2026	0.261	275,000,000	-	(53,000,000)	-	-	-	222,000,000
Category 2: Employees	26 August 2014	26 August 2014 – 25 August 2024	0.352	1,200,000	-	-	-	-	-	1,200,000
	3 October 2014	3 October 2014 – 2 October 2024	0.520	45,400,000	-	-	-	(33,900,000)	-	11,500,000
	20 April 2015	20 April 2015 – 19 April 2025	0.395	20,800,000	-	-	-	(600,000)	-	20,200,000
	28 September 2016	28 September 2016 – 27 September 2026	0.261	51,500,000	-	53,000,000	-	-	-	104,500,000
Category 3: Consultant	28 September 2016	28 September 2016 – 27 September 2026	0.261	53,000,000	-	-	-	-	-	53,000,000
Total for all categories				504,300,000	-	-	-	(34,500,000)	-	469,800,000
Weighted average exercise price (HK\$)				0.306	-	0.261	-	0.518	-	0.290

## 24. SHARE OPTIONS (CONTINUED)

### 2011 Share Option Scheme (Continued)

The fair value of the share options granted were pricing using the Trinomial model. The inputs into the model were as follows:

	2011 Share Option Scheme			
	Granted on			
	26 August 2014	3 October 2014	20 April 2015	28 September 2016
Grant date share price	HK\$0.345	HK\$0.520	HK\$0.395	HK\$0.255
Exercise price	HK\$0.352	HK\$0.520	HK\$0.395	HK\$0.261
Expected volatility	71.09%	71.741%	73.37%	75.617%
Expected option life	10 years	10 years	10 years	9.995 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.919%	1.969%	1.40%	0.884%

## 25. ACQUISITION OF SUBSIDIARIES

### Acquisition of Good Union

During the six months ended 30 September 2017, the Group acquired 67% equity interests of Good Union at a consideration of approximately HK\$244,000,000. Good Union is engaging in investment holding and its subsidiary is principally engaged in exploitation, production and sales of spring water. The acquisition had been completed on 7 June 2017.

	Carrying value <i>HK\$'000</i>	Fair values adjustments <i>HK\$'000</i>	Fair values <i>HK\$'000</i>
Fair value of the assets acquired and liabilities recognised at the date of acquisition			
Intangible assets	4,209	370,218	374,427
Other receivables	13,620	–	13,620
Accruals and other payables	(26,436)	–	(26,436)
Bank balances and cash	2,568	–	2,568
Total identifiable net assets	(6,039)	370,218	364,179
Non-controlling interests	1,993	(122,172)	(120,179)
	(4,046)	248,046	244,000
Total consideration			244,000

The acquisition has been accounted for as acquisition of asset.

## 25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Acquisition of Good Union (Continued)

	<i>HK\$'000</i>
Net cash outflow from the acquisition	
Cash consideration paid	244,000
Bank balances and cash acquired	(2,568)
Payment for acquisition-related cost	3,891
	<hr/>
	245,323
	<hr/>

Acquisition-related costs amounting to approximately HK\$3,891,000 have been excluded from the consideration transferred and have been recognised as the cost of acquired asset.

Had these business combinations been effected at 1 April 2017, the effect on revenue of the Group would be HK\$Nil as Good Union did not generate any revenue during the period, and the loss for the period would have been approximately HK\$180,000. The directors consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## 26. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2017.

## 27. RELATED PARTY TRANSACTIONS

The Group has the following significant transactions with related parties during the period:

	For the six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Key management personnel remuneration		
Share-based expenses	–	29,165
Retirement benefits scheme	<u>36</u>	<u>116</u>
	<u>36</u>	<u>29,281</u>

## 28. EVENTS AFTER REPORTING PERIOD

On 12 October 2017, an indirect wholly-owned subsidiary of the Company, Asiaciti Investment Limited (“Asiaciti”), entered into a sale and purchase agreement with 遼寧京豐置業有限公司 (“遼寧京豐”), a company beneficially owned by our substantial shareholder, Mr. Li Yuguo and incorporated in the PRC with limited liability which is principally engaged in property development, property leasing and sales. 遼寧京豐 has agreed to sell, and Asiaciti has agreed to acquire properties at the consideration of RMB625,000,000. The properties comprise Floors 7 to 35 of Building T3 situated at 46 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, PRC. 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 unity. The relevant conditions precedent of the agreement have not been fulfilled up to the date of interim financial report. Details of which are set out in the announcement of the Company dated 12 October 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECT**

For the six months ended 30 September 2017, the revenue, net, of the Group was approximately HK\$1,838,000 (six months ended 30 September 2016: approximately HK\$3,734,000). It was contributed from the investing and financing business.

Overall speaking, the loss attributable to owners of the Company, amounted to approximately HK\$59,186,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: loss attributable to owners of the Company, amounted to approximately HK\$63,440,000). The decrease in loss was mainly derived from the share of profits from associates and gain on disposal of subsidiaries.

Basic and diluted loss per share for the six months ended 30 September 2017 was HK\$0.010 (six months ended 30 September 2016: basic and diluted loss per share of HK\$0.012).

### **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 with Jiu Tai International Resources Company Limited (a company beneficially owned by our substantial shareholder, Mr. Li Yuguo) 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, which was settled by promissory note. A wholly-owned subsidiary in Guangxi of Spring Water held a water procurement permit for production and sales of bottled water. The acquisition had been completed on 25 April 2017. On 14 June 2017, the promissory notes had been fully redeemed.

During the period under review, the Group shared profits of associates of approximately HK\$3,867,000 (six months ended 30 September 2016: HK\$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”) from an independent third party at a consideration of HK\$244,000,000. An indirect wholly-owned subsidiary in Hunan of Good Union held a water mining licence for exploitation of spring water. The acquisition had been completed on 7 June 2017.

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. Subsequent to the six months ended 30 September 2017, the Group expected to start construction of production facilities in December 2017.

During the period under review, no revenue was derived from this segment and a loss of approximately HK\$828,000 (six months ended 30 September 2016: HK\$Nil) was recorded which mainly comprised of administrative expenses.

## **PROPERTY BUSINESS**

### **Property Development**

#### *Dalian Properties*

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

Phase I named “Xin Tian Jia Yuan” had almost completed the construction work except some public area and its utilities. Currently, the remained construction works are expected to be temporarily further extended to May 2018 due to the delay of construction progress. There are 21 buildings established in Phase I with a 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). The whole contracted sales achieved approximately RMB101,200,000 (of which pre-sale deposits of approximately RMB88,710,000 received), and the whole contracted gross saleable area was around 19,500 square metres.

\* *For identification purposes only*

For the Phase II, 34 buildings with 69,000 square metres were used as the saleable area. The initiation date will be in 2018 after the completion of the Phase I.

The Dalian Chuanghe recorded a loss of approximately HK\$662,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$1,446,000). The loss was mainly derived from administrative expenses.

## **Property Investment**

### *Yantian Properties*

- (A) The Group entered into an acquisition agreement on 24 June 2014, a supplemental agreement on 15 April 2015, a second supplemental agreement on 12 July 2016 and a third supplemental agreement on 17 May 2017 to purchase the property at a consideration of approximately RMB100,042,870 (equivalent to approximately HK\$125,996,990).

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

As at 30 September 2017, the Group had obtained physical possession of the property and totally paid a 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 RMB10,042,870 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 March 2018 (or such other date as may be mutually agreed).

- (B) The Group entered into a second acquisition agreement on 15 May 2015, a supplemental agreement on 12 July 2016 and a second supplemental agreement on 17 May 2017, to further purchase the property at a consideration of approximately RMB65,107,800 (equivalent to approximately HK\$81,384,750). 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 30 September 2017, the Group had obtained physical possession of the property and totally paid a 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 RMB5,107,800 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 March 2018 (or such other date as may be mutually agreed).

- (C) The Group entered into a third acquisition agreement on 10 November 2015 and a supplemental agreement on 17 May 2017, to further purchase the property at a consideration of approximately RMB101,628,955 (equivalent to approximately HK\$121,954,746). The property to be acquired, being a single-storey reinforced concrete building designated for office and storage uses, is the Block 2 of Jinma Creative Industry Park with a total gross floor area of approximately 4,957 square metres.

As at 30 September 2017, the Group had obtained physical possession of the property and totally paid a 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 RMB1,628,955 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 30 June 2018 (or such other date as may be mutually agreed).

The Yantian Properties recorded a loss of approximately HK\$370,000 for the six months ended 30 September 2017 which was mainly derived from administrative expenses.

### *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 30 September 2017, the Group had totally received RMB183,000,000 for the refund of the paid consideration and the payment of the compensation.

\* *For identification purposes only*

### *Hangzhou Properties*

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 is one of China's richest cities. However, the property market in Hangzhou suffered from the state macro control and has a pressure in its economic growth. It is the intention of the Group to dispose of the Hangzhou properties to potential investors, although the Group would still consider leasing them out.

### *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 an initial consideration of RMB220,000,000 (equivalent to approximately HK\$253,000,000) (subject to adjustments).

As at 30 September 2017, 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. Currently, the Beijing Properties are under construction progress. The expected construction completion date is in or around 31 December 2018.

## **IRON ORE MINING BUSINESS**

While facing the Ministerial Regulation No. 1/2014 was 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 dismantled and removed the processing plants to warehouse, the management is continuing to explore the opportunity to dispose the plants and inventory. Meanwhile, the Group had closed down all activities except for those office and administration function.

\* *For identification purposes only*

Under the circumstances, the Company is considering to dispose 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.

This segment recorded a loss of approximately HK\$1,016,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$1,615,000). The loss was mainly derived from administrative expenses.

## **INVESTING AND FINANCING BUSINESS**

### **Money Lending Business**

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

For the period under review, the money lending business recorded a revenue of approximately HK\$1,838,000 (six months ended 30 September 2016: approximately HK\$3,734,000).

### **Securities and Other Trading Business**

During the period under review, due to the volatility of the stock market, the management was prudent in taking risk on the securities trading business. There is no trading of securities during the six months ended 30 September 2017. The management focus their effort on other business.

Therefore, the investing and financing business for the six months ended 30 September 2017 recorded a loss of approximately HK\$1,037,000 (six months ended 30 September 2016: approximately HK\$216,000). The loss in 2017 was mainly derived from administrative expenses.

## **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 is principally engaged in vehicle liquefied natural gas supply business, it owns and operates the LNG Station. The Group had served a termination notice to the vendors for, among other things, termination of the sale and purchase agreement on 26 June 2017.
- (B) During the period under review, the Group paid interest for convertible notes/bonds of approximately HK\$4,910,000 (six months ended 30 September 2016: approximately HK\$5,511,000) and incurred non-cash finance costs of approximately HK\$16,740,000 (six months ended 30 September 2016: approximately HK\$15,907,000) as a result of the imputed interests on the convertible notes/bonds issued.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$Nil).

## **SHARE CAPITAL**

As at 30 September 2017, the total number of issued ordinary shares of the Company was 6,343,690,000 (31 March 2017: 5,343,690,000). 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 had been 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. Saved as disclosed above, there was no change in the share capital structure of the Company during the period under review.

## **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”).

\* *For identification purposes only*

During the period under review, no holder of the 2015 Convertible Bonds has converted any outstanding principal amount into shares of the Company. As at 30 September 2017, the principal amount of the 2015 Convertible Bonds outstanding was 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 had been 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.

The net proceeds of approximately of HK\$249,900,000 are 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 30 September 2017, the net proceeds of subscription of shares of approximately HK\$249,900,000 was applied to the settlement of considerations in related to the acquisition of 67% equity interests of Good Union.

### **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 of the Company considered 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.

As at 30 September 2017, the net proceeds of approximately HK\$244,000,000 was applied to the redemption of promissory notes in related to the acquisition of 20% equity interests of Spring Water and the net proceeds of approximately HK\$228,600,000 has yet to be used.

## **CAPITAL STRUCTURE**

Total equity attributable to owners of the Company increase to approximately HK\$2,137,947,000 as at 30 September 2017 from approximately HK\$1,884,213,000 as at 31 March 2017. As at 30 September 2017, the short-term and long-term interest bearing debts to total equity attributable to owners of the Company was approximately 10.37% (31 March 2017: approximately 11.13%).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2017, the Group had total assets of approximately HK\$2,903,137,000 (31 March 2017: approximately HK\$2,433,016,000) which was financed by current liabilities of approximately HK\$613,312,000 (31 March 2017: approximately HK\$306,712,000), non-current liabilities of approximately HK\$41,469,000 (31 March 2017: approximately HK\$251,238,000), non-controlling interests of approximately HK\$110,409,000 (31 March 2017: approximately deficit balance HK\$9,147,000) and total equity attributable to owners of the Company of approximately HK\$2,137,947,000 (31 March 2017: approximately HK\$1,884,213,000).

The Group's current ratio as at 30 September 2017 was approximately 2.80 (31 March 2017: approximately 5.23) and gearing ratio, representing convertible bonds, divided by total equity attributable to owners of the Company was approximately 10.37% (31 March 2017: approximately 11.13%). As at 30 September 2017, approximately 100% of debts were denominated in Hong Kong Dollars and with fixed interest coupon rate (31 March 2017: approximately 100%).

As at 30 September 2017 and 31 March 2017, the Group had no pledged/charged on Group's assets.

As at 30 September 2017, except for the capital commitments amounting to approximately HK\$131,228,000 (31 March 2017: approximately HK\$251,442,000), the Group had no other material capital commitments and contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS

### Acquisitions

Details of two material acquisitions refer to “Water Production and Sales” and “Water Mining” under “Water Business” of Management Discussion and Analysis.

### Disposals

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

On 27 April 2017, Hongyuan Information Consultancy (Shenzhen) Company Limited\* (鴻源信息諮詢(深圳)有限公司) (“Hongyuan”), being an indirect wholly-owned subsidiary of the Company, entered into a first disposal agreement with Shenzhen Shi Anye Chuangzhan Investment Development Company Limited\* (深圳市安業創展投資發展有限公司) (“Shenzhen Shi Anye”) in relation to the disposal of Penghongsheng, pursuant to which Hongyuan had agreed to sell and Shenzhen Shi Anye had agreed to purchase 60% equity interests in Penghongsheng and Hongyuan had agreed to sell and to procure certain members of the Group to sell and Shenzhen Shi Anye had agreed to purchase the amounts owed by Penghongsheng to Hongyuan and certain members of the Group for the disposal consideration of RMB240,000,000 (equivalent to approximately HK\$271,000,000). The disposal had been completed on 11 May 2017.

On 6 June 2017 and 28 August 2017, Hongyuan, entered into a second disposal agreement and a supplemental agreement respectively, with Shenzhen Shi Anye in relation to the disposal of 40% equity interests in Penghongsheng, pursuant to which Hongyuan had conditionally agreed to sell and Shenzhen Shi Anye had conditionally agreed to purchase 40% equity interests in Penghongsheng and Hongyuan had conditionally agreed to sell and to procure certain members of the Group to sell and Shenzhen Shi Anye had conditionally agreed to purchase the amounts owed by Penghongsheng to Hongyuan and certain members of the Group for the disposal 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 acquisitions or disposals of subsidiaries or associates of the Company during the period under review.

\* For identification purposes only

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi, Indonesian Rupiah and US Dollars which have been relatively stable during the six months ended 30 September 2017. 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 has a total of approximately 48 employees in Hong Kong, Indonesia and the PRC as at 30 September 2017. The total cost (staff salaries and directors' emoluments) for the six months ended 30 September 2017 amounted to approximately HK\$3,494,000. Remuneration packages are generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and sponsors employees in different training and continuous education programs.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 September 2017.

## **CORPORATE GOVERNANCE PRACTICES**

The Group has established a formal and transparent procedure to protect the interests of the shareholders of the Group. The Group regularly reviews the corporate governance procedures and developments of the Group. The Group applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "Code") to the Listing Rules throughout the period under review, except that:

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

2. Under Code provision A.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. During the period, the roles of the chairman and the CEO of the Company were not separated and were performed by Mr. Wu Hongquan until his resignation on 28 April 2017. The position of CEO of the Company was then taken up by Mr. Huang Yilin on 16 August 2017. Subsequently, on 22 September 2017, the position of the chairman of the Company has been taken up by Mr. Li Yuguo.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2017.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2017.

## **PUBLICATION OF OTHER FINANCIAL INFORMATION**

Other financial information containing all the information required by Appendix 16 of the Listing Rules will be available on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Companies Information” and the Company’s websites on [www.asiaresources899.com](http://www.asiaresources899.com) in due course.

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

Hong Kong, 30 November 2017

*As at the date of this announcement, the Board consists of five executive Directors, Mr. Li Yuguo, Mr. Huang Yilin, Mr. Chan Shi Yin, Keith, Mr. Liu Yan Chee, James and Mr. Chan Yuk Sang; and three independent non-executive Directors, Mr. Zhang Xianlin, Mr. Kwok Hong Yee, Jesse and Mr. Ng Ping Yiu.*