

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

**Announcement of Interim Results for the six
months ended 30th September 2006**

INTERIM RESULTS

The Board of Directors (the “Board”) of Asia Resources Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30th September 2006 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2006

		For the six months ended 30th September	
		2006	2005
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	62,997	61,477
Cost of goods sold		<u>(38,100)</u>	<u>(33,800)</u>
Gross profit		24,897	27,677
Other income		2,359	2,826
Distribution and selling expenses		(25,822)	(11,649)
Administrative expenses		<u>(11,625)</u>	<u>(8,901)</u>
(Loss) profit from operations		(10,191)	9,953
Share of loss of associates		(6,425)	–
Finance costs		<u>(5,342)</u>	<u>(4,613)</u>
(Loss) profit before tax	4	(21,958)	5,340
Income tax charge	5	<u>(220)</u>	<u>(1,233)</u>
(Loss) profit for the period		<u><u>(22,178)</u></u>	<u><u>4,107</u></u>
Attributable to:			
Equity holders of the Company		<u><u>(22,178)</u></u>	<u><u>4,107</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Basic (loss) earnings per share	6	<u><u>(1.57)</u></u>	<u><u>0.29</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

	30th September 2006 (unaudited) HK\$'000	31st March 2006 (audited) HK\$'000
Non-current assets		
Investment properties	36,779	–
Property, plant and equipment	170,645	172,325
Prepaid lease payments	9,762	9,747
Intangible assets	582	736
Goodwill	114,493	114,493
Interests in associates	110,300	116,725
Deposits for acquisition of property, plant and equipment and intangible assets	460	3,040
Deferred tax assets	4,319	4,240
	<u>447,340</u>	<u>421,306</u>
Current assets		
Inventories	22,289	21,344
Trade and other receivables	88,076	96,453
Loans to an associate	38,681	37,825
Bank balances and cash	28,107	57,796
	<u>177,153</u>	<u>213,418</u>
Current liabilities		
Trade and other payables	37,999	33,929
Tax liabilities	–	251
Bank loans	72,906	71,567
	<u>110,905</u>	<u>105,747</u>
Net current assets	66,248	107,671
Total assets less current liabilities	<u>513,588</u>	<u>528,977</u>
Capital and reserves		
Share capital	70,572	70,572
Reserves	355,331	374,266
Total equity	425,903	444,838
Non-current liability		
Bank loans	87,685	84,139
	<u>513,588</u>	<u>528,977</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties, which are measured at fair values, as appropriate. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2006 except that the Group has adopted the following accounting standard for the period:

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December 2005, 1st January 2006 or 1st March 2006 respectively. The adoption of the new HKFRSs has no material effect on how the Group’s results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

At the date of authorization of these interim financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective and the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no significant impact on the result of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the manufacture and sales of pharmaceutical products and holding of investment properties in the People’s Republic of China (the “PRC”). Accordingly, no geographical analysis of information is presented. No business segment information is presented as the revenue derived from and the assets of the properties investment segment are less than 10% of the Group’s total revenue and total assets respectively.

4. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	For the six months ended 30th September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	9,227	7,859
Amortization of intangible assets	169	346
Prepaid lease payments	165	159
Staff cost (including directors' remuneration)	6,938	5,255
Interest income on loans to associate	(1,295)	—
	<u> </u>	<u> </u>

5. INCOME TAX CHARGE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable profit for the period.

The charges for the period represented the PRC income tax. Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter these subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years. Accordingly, PRC income tax has been provided taking into account of these tax exemption and concessions.

6. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	For the six months ended 30th September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) profit attributable to shareholders for the purposes of basic (loss) earnings per share	(22,178)	4,107
	<u> </u>	<u> </u>
	2006	2005
Number of shares:		
Number of ordinary shares for the purpose of basic (loss) earnings per share	1,411,440,590	1,411,440,590
	<u> </u>	<u> </u>

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30th September 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30th September 2006, the Group's turnover amounted to approximately HK\$62,997,000, an increase of 2% when compared with the corresponding period last year of HK\$61,477,000. The net loss attributable to shareholders amounted to HK\$22,178,000.

The market competition for the six months during the period under review remains intense. Given the continuous downward move of the selling prices and the rising of raw materials prices, the production cost and gross profit of the Group have been severely affected. The sales volume and turnover of the Group maintained a steady growth as the Group continued to strengthen the supervision and controls on its business operation, promote integration of internal resources and actively expand the market for its principal operation. The sales volume recorded an increase of 19%, yet overall sales only increased by approximately 2% as a result of the lowering of unit sales prices. With the rising of raw materials costs, the profit margin of the products was pushed down to approximately 40% during the period from 45% of the corresponding period last year.

During the period, the distribution and selling expenses increased by approximately HK\$14,173,000, an increase of approximately 122%, primarily attributable to a greater marketing efforts for the sales and the substantial increase in promotion activities and point-of-sales expenses during the period. However, under the strict monitoring of the management, it is expected that the growth rate of selling expenses will be slowing down in the remaining of the year. In addition, staff cost has increased when compared with the corresponding period of last year as a result of addition expenses incurred in relation to rationalization of sales and management model.

The commercial/residential projects at Hangzhou, Zhejiang Province developed the Group's associate which acquired on October 2005 are under construction. As at 30 September 2006, its accumulated pre-sales amounted to approximately RMB285,000,000. During the period, a number of the macro control measures against properties market have been issued which have the effects of cooling down domestic properties investment, turning prospective properties owners and investors to take more conservative views and slightly lowering down the sale progress of the properties. During the period, the Group shared losses of associates of approximately HK\$6,425,000, a major part of which were related to daily operation expenses such as administrative, selling and interest expenses of the properties.

During the period, the Group spent approximately RMB37,331,000 on the acquisition of investment properties which are located in Beijing, the PRC. The acquired office properties have a gross floor area of about 1,900 square meters. Except for a small portion of less than 3% of the total area retained for own use, the remaining portion has been leased out.

For the period under review, the State has taken certain measures to improve and rationalize the sourcing management, prices and sourcing of medicines for the medicines used by hospitals, as the results of which the pace of the implementation of health system reform has been picking up, and the concentration and transparency of the market have been increased. As the Group has already established various predominant sales network and developed well-known brand names, the reform of industries and the acceleration of the consolidation would directly promote the healthy development of the intravenous fluid industry, which by leveraging on its substantial experience in the industry, size of production and rigorous production management, it is expected that the Group will be beneficial from improvement in operation environment.

Also, it is anticipated that the commercial/residential projects at Hangzhou, Zhejiang Province developed by the associate of the Group to be completed in 2007 will generate reasonable returns to the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th September 2006, the Group had total assets of HK\$624,493,000 (31st March 2006: HK\$634,724,000) which was financed by current liabilities of HK\$110,905,000 (31st March 2006: HK\$105,747,000), long-term liabilities of HK\$87,685,000 (31st March 2006: HK\$84,139,000), shareholder's equity of HK\$425,903,000 (31st March 2006: HK\$444,838,000).

The Group's current ratio as at 30th September 2006 was approximately 1.60 (31st March 2006: 2.02) and gearing ratio, representing the total borrowings divided by the shareholders equity was approximately 37.71% (31st March 2006: 35.0%). The total outstanding borrowings of the Group as at 30th September 2006 were denominated in Renminbi with fixed interest rate.

As at 30th September 2006, certain property, plant and equipment, with an aggregate net book value of approximately HK\$54,821,000 (31st March 2006: HK\$56,613,000), had been pledged to secure banking facilities granted to the Group.

Except for a guarantee to the extent of approximately HK\$16,380,000 to a bank to secure the credit facility granted to its associate, the Group and the Company had no other material capital commitment and contingent liabilities as at 30th September 2006.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, US dollars and Renminbi which have been relatively stable during the period. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

EMPLOYEE AND REMUNERATION POLICY

As at 30th September 2006, the Group has approximately 870 employees in Hong Kong and the PRC. Remuneration packages are generally structured accordingly to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsored 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 30th September 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Group was in full compliance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period, except for the followings:

- (i) The chairman of the Board was not able to attend the 2005/2006 annual general meeting in person, but has already delegated to one of the executive directors of the Company to chair the meeting on her behalf;
- (ii) None of the independent non-executive directors were appointed for a specific term, but they are subject to the retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-law of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of 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 30th September 2006.

AUDIT COMMITTEE

The Company's audit committee comprises the three independent non-executive directors of the Company. The Audit Committee 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 30th September 2006.

By Order of the Board
Zhang Cheng
Chairman

Hong Kong, 15th December 2006

As at the date of this announcement, the executive Directors of the Company are Ms. Zhang Cheng, Mr. Lin Dong and Mr. Feng Xiang Cai and the independent non-executive Directors are Mr. Ngai Sau Chung, Howard, Mr Jiang Guoan and Mr. Lin Ye.

** For identification purpose only*

Please also refer to the published version of this announcement in China Daily.