

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

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 2007 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

	Notes	For the six months ended 30th September	
		2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Revenue	3	81,889	62,997
Cost of goods sales		(47,663)	(38,100)
Gross profit		34,226	24,897
Other income		4,822	2,359
Distribution and selling expenses		(26,250)	(25,822)
Administrative expenses		(10,228)	(11,625)
Profit (loss) from operation		2,570	(10,191)
Gain on disposal of investment properties		2,479	-
Share of loss of associates		(5,871)	(6,425)
Finance costs		(6,230)	(5,342)
Loss before tax	4	(7,052)	(21,958)
Income tax charge	5	(92)	(220)
Loss for the period		(7,144)	(22,178)
Attributable to:			
Equity holders of the Company		(7,144)	(22,178)
		HK cents	HK cents
Basic Loss per share	6	(0.51)	(15.71)

CONDENSED CONSOLIDATED BALANCE SHEET

	30th September 2007 (unaudited) HK\$'000	31st March 2007 (audited) HK\$'000
Non-current assets		
Property, plant and equipment	160,703	164,401
Prepaid lease payments	13,315	13,212
Investment properties	-	30,334
Interests in associates	111,642	114,823
Deposits for acquisition of property, plant and equipment and intangible assets	104	100
	285,764	322,870
Current assets		
Inventories	20,761	20,677
Trade and other receivables	7 91,479	86,666
Loans to an associate	39,237	38,354
Bank balances and cash	37,422	38,071
	188,899	183,768
Current liabilities		
Trade and other payables	8 39,189	42,462
Borrowings	77,640	82,725
	116,829	125,187
Net current assets	72,070	58,581
 Total assets less current liabilities	 357,834	 381,451
 Capital and reserves		
Share capital	70,572	70,572
Reserves	227,221	227,967
Total equity	297,793	298,539
Non-current liability		
Borrowings	60,041	82,912
	357,834	381,451

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 2007 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 May 2006, 1st June 2006, 1 November 2006, 1st January 2007 and 1st March 2007 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’s operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of pharmaceutical products in the People’s Republic of China (the “PRC”). Accordingly, no business segment and geographical analysis of information is presented.

4. LOSS BEFORE TAX

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

	For the six months ended 30th September	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	7,712	9,227
Amortization of intangible assets	-	169
Prepaid lease payments	199	165
Staff cost (including directors' remuneration)	7,278	6,938
Interest income on loans to associate	<u>(1,728)</u>	<u>(1,295)</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 PRC subsidiaries are subject to the PRC Enterprise Income Tax at rates between 0% to 33% (2006: between 0% to 33%). Pursuant to the relevant laws and regulations in the PRC, the qualified 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 PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to the equity holders of the Company of approximately HK\$7,144,000 (2006: HK\$22,178,000) over 1,411,440,590 (2006: 1,411,440,590) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented as there was no potential ordinary shares in issue in both period.

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivable, are trade, net of impairment losses, and bills receivables discounted/endorsed with recourse of HK\$83,113,000 (31st March 2007: HK\$79,833,000) and their age analysis is as follows:

	30th September 2007 (unaudited) HK\$'000	31st March 2007 (audited) HK\$'000
Age		
0 to 90 days	54,234	55,626
91 to 180 days	18,252	15,562
181 to 365 days	10,627	8,645
	<u>83,113</u>	<u>79,833</u>

Payment terms with customers are mainly on credit. Invoices are normally settled within 90 days to 180 days of issuance, except for certain well established customers.

8. TRADE AND OTHER PAYABLES

Included in trade and other payable are trade payable of HK\$18,742,000 (31st March 2007: HK\$23,305,000) and their age analysis is as follows:

	30th September 2007 (unaudited) HK\$'000	31st March 2007 (audited) HK\$'000
Age		
0 to 90 days	9,682	12,147
91 to 180 days	4,104	3,313
181 to 365 days	2,846	4,094
Over 365 days	2,110	3,751
	<u>18,742</u>	<u>23,305</u>

The average credit period on purchases is 3 months (31st March 2007: 3 months).

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30th September 2007(2006: Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30th September 2007, the Group's turnover amounted to approximately HK\$81,889,000, an increase of 31% as compared to the corresponding period last year of approximately HK\$62,997,000. The net loss attributable to shareholders of the Company amounted to approximately HK\$7,144,000.

During the period, the loss decreased by approximately HK\$15,034,000, mainly attributable to the increase in sales volume of the Group's products, the effective cost control measures, the improvement in gross profit margin and the gain on disposal of investment properties.

During the period, the sales volume recorded an increase of approximately 32% as compared to the corresponding period last year. Despite the further drop in average selling price per unit, the lesser decline and the effective control on product cost both contributed to the growth in overall gross profit margin from approximately 40% for the corresponding period last year to approximately 42% for the period. The Group anticipated that the output and sales volume will experience a continuous growth, which will enable the Group to expand its market share in the intravenous fluid industry. Together with the enhancement of the efficiency of existing production facilities and of the production capacity of soft bag type intravenous fluid, the Group will create greater economies of scale and thus have a lower average production cost. While the volume and amount of sales jumped over 30% as compared to the corresponding period last year, the effective monitoring contributed to a slight increase in selling expenses. It is expected that there will be a further improvement in the operating conditions of the Group.

During the period, the Group disposed of an investment property, which is an office building for leasing, in Beijing at approximately HK\$34,041,000. The disposal generated a gain, net of relevant expenses, of approximately HK\$2,479,000 during the period. For the details of the disposal, please refer to the circular dated 19th July 2007 to shareholders.

During the period, the share of loss of associates of the Group was amounted to approximately HK\$5,871,000, mainly comprised of daily operating expenses such as management fee, property selling costs and interest expenses. In December 2007, the Group disposed of its equity interest in associates at HK\$180,000,000. After taking into account the exchange gain up to 31st March 2007, the gain on the disposal amounted to approximately HK\$70,310,000 over the carrying value of the associates as recorded in the audited consolidated accounts of the Company for the year ended 31st March 2007. The investment return of the associates over 2 years period since the Group's acquisition in October 2005 was about 50%. The directors consider that it is in the best interest of the Group to take this opportunity to realize its investment through the disposal. For the details of the disposal, please refer to the announcement dated 14th December 2007 to shareholders.

In the upcoming year, the Group will step up the efforts to monitor the production and sales of medicines in its factories, promote the development of sales network and branding, and proactively pursue new investments, so as to provide shareholders with reasonable returns.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th September 2007 the Group had total assets of HK\$474,663,000 (31st March 2007: HK\$506,638,000) which was financed by current liabilities of HK\$116,829,000 (31st March 2007: HK\$125,187,000), long-term liabilities of HK\$60,041,000 (31st March 2007: HK\$82,912,000) and shareholder's equity of HK\$297,793,000 (31st March 2007: HK\$298,539,000).

The Group's current ratio as at 30th September 2007 was approximately 1.62 (31st March 2007: 1.47) and gearing ratio, representing the total borrowings divided by the shareholders equity was approximately 46.23% (31st March 2007: 55.5%). The total outstanding borrowings of the Group as at 30th September 2007 were denominated in Renminbi with fixed interest rate.

As at 30th September 2007, certain property, plant and equipment, with an aggregate net book value of approximately HK\$48,590,000 (31st March 2007: HK\$50,249,000), land use right amount of HK\$12,155,000 (31st March 2007: HK\$12,056,000) and investment properties amount of HK\$ nil (31st March 2007: HK\$30,334,000), had been pledged to secure banking facilities granted to the Group.

As at 30th September 2007, except for a guarantee to the extent of approximately HK\$16,408,000 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. The guarantee was subsequently released in October 2007.

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 2007, the Group has approximately 876 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 2007.

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 2006/2007 annual general meeting in person due to other business engagement and commitments, but has already delegated to one of the executive directors of the Company to chair the meeting on her behalf; and
- (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 2007.

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 2007.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under “Latest Listed Companies Information” and the website of the Company at aplushk.com/clients/0899asiaresources/index.html. The interim report will be dispatched to the shareholders and will also be available on these websites.

By Order of the Board

Zhang Cheng

Chairman

Hong Kong, 14th December 2007

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

** for identification purpose only*