

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

(Stock Code: 899)

Interim Report

2008/2009



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 30 September 2008 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
		2008	2007
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	96,211	81,889
Cost of sales		(57,161)	(47,663)
Gross profit		39,050	34,226
Other income		3,919	4,822
Distribution and selling expenses		(24,329)	(26,250)
Administrative expenses		(12,859)	(10,228)
Gain on disposal of investment properties		–	2,479
Share of loss of associates		–	(5,871)
Finance costs		(5,838)	(6,230)
Loss before tax	4	(57)	(7,052)
Income tax expense	5	(700)	(92)
Loss for the period		(757)	(7,144)
Attributable to:			
Equity holders of the Company		(757)	(7,144)
		HK cents	HK cents
Basic loss per share	6	(0.05)	(0.51)

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2008 (unaudited)	31 March 2008 (audited)
Notes	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	149,987	156,171
Prepaid lease payments	10,146	10,067
Intangible assets	86	104
Deposits for acquisition of property, plant and equipment and intangible assets	1,194	–
	161,413	166,342
Current assets		
Inventories	22,593	21,433
Trade and other receivables	281,030	301,770
Held-for-trading investments	334	496
Pledged bank deposits	18,502	6,992
Bank balances and cash	93,515	73,247
	415,974	403,938
Current liabilities		
Trade and other payables	54,802	60,999
Tax liabilities	1,095	1,071
Borrowings	144,007	134,262
	199,904	196,332
Net current assets	216,070	207,606
Total assets less current liabilities	377,483	373,948
Capital and reserves		
Share capital	70,572	70,572
Reserves	306,911	303,376
Total equity	377,483	373,948

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008 (unaudited)

	Share capital	Share premium	Special reserve	PRC statutory reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	70,572	497,831	92,926	3,094	15,978	(381,862)	298,539
Loss for the period	-	-	-	-	-	(7,144)	(7,144)
Exchange differences arising on translation to presentation currency	-	-	-	-	6,398	-	6,398
At 30 September 2007	70,572	497,831	92,926	3,094	22,376	(389,006)	297,793
At 1 April 2008	70,572	497,831	92,926	3,286	26,005	(316,672)	373,948
Loss for the period	-	-	-	-	-	(757)	(757)
Exchange differences arising on translation to presentation currency	-	-	-	-	4,292	-	4,292
At 30 September 2008	70,572	497,831	92,926	3,286	30,297	(317,429)	377,483

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30th September	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Net cash from operating activities	8,195	1,425
Net cash from investing activities	2,100	35,134
Net cash from/(used in) financing activities	21,194	(38,174)
Net increase/(decrease) in cash and cash equivalents	31,489	(1,615)
Cash and cash equivalents at the beginning of the period	80,239	38,071
Effect of foreign exchange rate changes	289	966
Cash and cash equivalents at the end of the period	112,017	37,422
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	112,017	37,422

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 and certain financial instruments, 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 31 March 2008 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 1 January 2008 and 1 July 2008 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 manufacture and sales of pharmaceutical products, and involves in properties investment in the People's Republic of China (the "PRC"). Accordingly, no geographical analysis of information is presented. The revenue, results and assets of properties investment business accounted for less than 10% of the Group's revenue and results and total assets for period ended 30 September 2007 and 2008. Therefore no business segment information is presented.

4. Loss before tax

For the six months ended 30 September	
2008	2007
(unaudited)	(unaudited)
HK\$'000	HK\$'000

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

Depreciation of property, plant and equipment	10,724	7,712
Prepaid lease payments	149	199
Staff cost (including directors' remuneration)	9,163	7,278
Change in fair value of held-for-trading investments	162	–
Total interest income on bank deposits and loans receivable	(3,876)	(2,356)

5. Income tax charge

No provision for Hong Kong Profits Tax has been made in the condensed 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 25% (2007: between 0% to 33%). Pursuant to the then relevant laws and regulations in the PRC, the qualified PRC subsidiaries were entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it 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\$757,000 (2007: HK\$7,144,000) over 1,411,440,590 (2007: 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

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Trade receivables	91,212	96,186
Less: accumulated impairment	(8,392)	(8,089)
	82,820	88,097
Bills receivable discounted/endorsed with recourse	6,512	5,538
	89,332	93,635
Amount receivable on disposal of associates (note i)	135,000	135,000
Loans receivable from a company controlled by a director (note ii)	44,756	43,840
Other loan receivable	-	19,978
Other receivables	11,676	9,025
Prepaid lease payments	266	292
	281,030	301,770

Note: The transactions related to the balances were entered prior to the appointment of Mr. Zhou Yu Kang ("Mr. Zhou") as Chairman and Director of the Company in April 2008.

- (i) Amount receivable on disposal of associates from Mr. Zhou is due on 4 January 2009.
- (ii) Due dates for the loans receivable in the sum of RMB40 million (approximately HK\$45 million) fell in October 2008. Of the RMB40 million (approximately HK\$45 million) loans receivable, RMB26.5 million (approximately HK\$30 million) have been repaid before the prescribed due dates, but HK\$13.5 million became overdue and remained outstanding as at the date of this report. Mr. Zhou resigned from the above offices on 17 December 2008. The loans receivable from a company controlled by Mr. Zhou are unsecured and bear interest at fixed-rate at 12% (31 March 2008: 12%) per annum.

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. The following is an aged analysis of trade receivables, net of impairment losses, and bills receivable discounted/endorsed with recourse at the respective reporting date:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 to 90 days	63,872	63,109
91 to 180 days	16,933	19,218
181 to 365 days	6,879	8,576
1 to 2 years	1,648	2,732
	89,332	93,635

8. Trade and other payables

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Trade payables	21,891	20,037
Other payables	32,911	40,962
	54,802	60,999

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

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 to 90 days	16,381	11,931
91 to 180 days	2,996	3,448
181 to 365 days	106	889
Over 365 days	2,408	3,769
	21,891	20,037

The average credit period on purchases is 3 months (31 March 2008: 3 months)

9. Share capital

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Authorized: 10,000,000,000 ordinary shares of HK\$0.05 each	500,000	500,000
	Number of ordinary shares	Amount HK\$'000
Issued and fully paid: At 31 March 2008 and 30 September 2008	1,411,440,590	70,572

10. Related party transactions

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

	For the six months ended 30 September 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Key management compensation		
Short-term benefits	1,562	1,150
Post employment benefits	18	12
	1,580	1,162
Interest income on loans to an associate	–	(1,728)
Interest income on loans to a company controlled by a Director	(2,565)	–

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2008, the Group's turnover amounted to approximately HK\$96,211,000, an increase of 17% as compared to the corresponding period last year of approximately HK\$81,889,000. The net loss attributable to shareholders of the Company amounted to approximately HK\$757,000. During the period, the loss decreased by approximately HK\$6,387,000, mainly attributable to the increase in sales volume of the Group's products of approximately 10%, and no longer shared any loss of associates.

The world economic turmoil during the period under review posed an impact on the economic growth in China. Despite a slow-down in economic growth, the worsening inflation caused pressure on the Group's production and sales operations. With the devotion of the sales team and a comprehensive sales network, the Group achieved a growth in overall sales during the period, with an approximately 10% increase as compared to the corresponding period last year. As a result of an effective control of production cost amid rising prices of production materials, the Group recorded a gross profit margin of 41%, representing a slight decrease of approximately 1% as compared to the same period last year. Selling expenses of the Group decreased by approximately 7% as compared to the corresponding period last year, as the Group has further enhanced its brands in China with deeper market penetration and higher reputation following years of resources allocation and the selling expenses are thus reduced. The percentage of selling expenses to revenue for the period dropped to 25% from 32% for the same period last year.

The Group disposed of its equity interests in associates in December 2007 and recognized a gain on disposal during the year ended 31 March 2008. As a result, the Company no longer shared any loss of such associate during the period while its share of loss of associates amounted to approximately HK\$5,871,000 for the corresponding period last year.

BUSINESS REVIEW AND PROSPECT (Continued)

In the previous year, the Group disposed of certain significant investments, including the investment properties in Beijing and associates, which engages in real estate development, in Hangzhou. Proceeds from the disposals would strengthen the Group's financial position and investment portfolio and would allow the Group to be well-positioned to identify any quality investment projects. With the aim to bring reasonable returns to our Shareholders, the Board will actively pursue suitable investment opportunities to better its asset quality and strengthen income streams of the Group. The Group has paid an earnest money for a possible acquisition.

Golden Mount Limited, a company beneficial owned by Mr. Chim Pui Chung, acquired 400,000,000 shares of the Company at the price of HK\$0.4 per share on 14 October 2008. Upon the acquisition, Golden Mount Limited becomes a single largest shareholder of the Company, which holds approximately 28.34% of the issued share capital of the Company.

PROPOSED ACQUISITION

According to the announcement dated on 10 December 2008, the Company proposes to acquire the mining licences of a tungsten mine and an iron mine in Mongolia (the "Acquisition"). The Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. An announcement in compliance with Chapter 14 of the Listing Rules is being prepared and will be published by the Company as soon as practicable.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2008 the Group had total assets of HK\$577,387,000 (31 March 2008: HK\$570,280,000) which was financed by current liabilities of HK\$199,904,000 (31 March 2008: HK\$196,332,000) and shareholders' equity of HK\$377,483,000 (31 March 2008: HK\$373,948,000).

The Group's current ratio as at 30 September 2008 was approximately 2.08 (31 March 2008: 2.06) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 38.1% (31 March 2008: 35.9%). The total outstanding borrowings of the Group as at 30 September 2008 were denominated in Renminbi, about 44% (31 March 2008: 32%) borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

FINANCIAL RESOURCES AND LIQUIDITY (Continued)

As at 30 September 2008, certain buildings with aggregate carrying amount of approximately HK\$20,951,000 (31 March 2008: HK\$21,055,000), plant and machinery amounting to approximately HK\$26,694,000 (31 March 2008: HK\$29,085,000), land use rights amount of HK\$6,520,000 (31 March 2008: HK\$4,972,000) and bank deposits amount of approximately HK\$18,502,000 (31 March 2008: HK\$6,992,000) had been pledged to secure banking facilities granted to the Group.

Except for the capital commitment of acquisitions of non-current assets amounting to HK\$936,000, the Group had no other material capital commitment and contingent liabilities as at 30 September 2008.

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 30 September 2008, the Group has approximately 737 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.

DIRECTORS' INTERESTS IN SECURITIES

None of the directors, chief executives or their respective associates of the Company had, as at 30 September 2008, any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV) of the Securities and Futures Ordinance ("SFO") which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")

The Company's share options scheme (the "Scheme") adopted on 14th January 2002 for the purposes of the recognition of the significant contribution of and for the provisions of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors to the Group or affiliate will expire on 13 January 2012. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. Afterwards, pursuant to the Resolution passed by the shareholders in general meeting to renew the Limit (the "Refreshed Scheme Limit"), the Refreshed Scheme Limit as at 30 September 2008 is 141,144,059. No options have been granted by the Company under the Scheme since its adoption.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above in respect of the directors' interest in securities regarding the Company's share option scheme, at no time during the period was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

LONG POSITION IN ORDINARY SHARES OF HK\$0.05 EACH OF THE COMPANY

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Yong (Note 1)	Held by controlled corporation	460,000,000	32.59%
Guardwell (Note 1)	Beneficial owner	330,000,000	23.38%
Eagle China (Note 1)	Beneficial owner	130,000,000	9.21%
Guangdong Development Bank (Note 1)	Held by controlled corporation	100,000,000	7.08%
Ms. Wang Jin Song (Note 2)	Held by controlled corporation	129,380,827	9.17%
Ankeen Enterprises Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Group Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Health Drugstore Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Hong Kong Neptunus Health Drugstore Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Advance Year Company Inc. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Landstar Investments Limited (Note 2)	Beneficial owner	129,380,827	9.17%
Industrial Bank (Note 3)	Held by controlled corporation	129,380,827	9.17%
China Life Trustees Limited (Note 4)	Trustee	84,590,000	5.99%
China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch (Note 4)	Held by controlled corporation	84,590,000	5.99%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Mr. Wu Yong beneficially owns and controls Guardwell Investments Limited ("Guardwell") and Eagle China Investments Limited ("Eagle China"). Accordingly, Mr. Wu Yong is deemed to be interested in the shares through Guardwell and Eagle China.

Guangdong Development Bank Co., Ltd., Shenzhen Branch, Yitian Sub-branch ("Guangdong Development Bank") is deemed to be interested in the 100,000,000 shares as Guardwell has pledged 100,000,000 shares to Guangdong Development Bank.

2. Ms. Wang Jin Song ("Ms. Wang") beneficially owns 85% interests in Ankeen Enterprises Limited ("AEL"). AEL beneficially owns 41.93% interests in Shenzhen Neptunus Group Co., Ltd. ("SNGCL"). SNGCL beneficially owns 86% interests in Shenzhen Neptunus Health Drugstore Co., Ltd. ("SNHDCL"). SNHDCL beneficially owns 100% interests in Hong Kong Neptunus Health Drugstore Limited ("HKNHDL"). HKNHDL beneficially owns 100% interest in Advance Year Company Inc. ("AYCI"). AYCI beneficially owns 100% interests in Landstar Investments Limited ("LIL") which owns 129,380,827 ordinary shares of the Company.

Accordingly, Ms. Wang, AEL, SNGCL, SNHDCL, HKNHDL and AYCI are deemed to be interested in the 9.17% shares held by LIL.

3. Industrial Bank Co., Ltd. Shenzhen Bagualing Sub-branch ("Industrial Bank") is deemed to be interested in the 129,380,827 shares as LIL has pledged its shares to Industrial Bank.
4. China Life Trustees Limited is accustomed to act in accordance with directions of China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 September 2008, which would fall to be disclosed under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2008.

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 2007/2008 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 30 September 2008.

AUDIT COMMITTEE

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 30 September 2008.

By Order of the Board
Chim Kim Lun, Ricky
Chairman

Hong Kong, 22 December 2008