THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

VERY SUBSTANTIAL ACQUISITION RELATING TO THE ACQUISITION OF THE SALE SHARES AND SALE DEBTS AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM of the Company to be held at 10:30 a.m. on Friday, 17 April 2009 at the Wharney Guang Dong Hotel Hong Kong of No. 57-73 Lockhart Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend the SGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

31 March 2009

* *For identification purposes only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Debts by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 3 December 2008 (as supplemented by the Supplemental Agreement No. 1 and the Supplemental Agreement No. 2) entered into between the Company, the Purchaser, the Vendor and the Warrantors in relation to the Acquisition
"Acquisition Price"	initially, HK$560 million (or initially HK$300 million in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion), subject to adjustments, being the total consideration payable by the Purchaser to the Vendor for the Acquisition
"Announcement"	the announcement of the Company dated 2 February 2009 relating to, amongst others, the Acquisition
"Associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Bonds"	the zero coupon convertible bond(s) in an aggregate principal amount of not more than HK$170 million due on the 5th anniversary of the Completion Date to be issued by the Company for settlement of part of the Acquisition Price (but in the event of the First Reorganisation not being consummated before Completion, no such Bonds will be created at all) pursuant to the terms of the Acquisition Agreement and to be created by the Instrument and for the time being outstanding or, as the context may require, any number of them
"Business Day"	any day (excluding Saturdays, Sundays and such other days where a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong) on which banks in Hong Kong are open for business
"BVI"	British Virgin Islands
"Closing Conditions"	the conditions precedent to the Completion
"Company"	Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the main board of the Stock Exchange

"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Accounts"	the profit and loss account for the period commencing from 1 April 2008 and ending on the Completion Date and the consolidated balance sheet of the Target Group as at the Completion Date
"Completion Date"	the third Business Day after the fulfillment (or waiver) of the last of the Closing Conditions or such other date as the parties to the Acquisition Agreement shall agree in writing as the date on which Completion shall take place
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Conversion Share(s)"	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Bonds (if issued)
"Deposits"	collectively the First Deposit and the Further Deposit (if paid at all) or any part of them
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group immediately after the Completion
"Existing Iron Company"	Khuderbold LLC, a company incorporated in Mongolia with limited liability and is wholly owned by the Target Company
"Existing Tungsten Company"	Baruun Mongolyn Metall LLC, a company incorporated in Mongolia with limited liability and is wholly owned by Independent Third Parties
"Exploration Licence(s)"	collectively the Tungsten Exploration Licence and the Iron Exploration Licences
"First Mongolia Company"	Cavern Riches LLC, a company incorporated in Mongolia with limited liability and is a wholly-owned subsidiary of the Target Company
"Golden Mount"	Golden Mount Limited, a substantial Shareholder as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Conversion Price"	HK$0.30 per Conversion Share (subject to adjustments)
"Independent Third Party(ies)"	third party(ies) independent of and not connected or acting in concert with the Company or any of its connected persons, nor are connected persons of the Company

"Instrument"	instrument to be executed by the Company by way of a deed poll constituting the Bonds
"Iron Exploration Licences"	mineral exploration licences No. 10142X and 11880X covering 262 and 219 hectares respectively of the mine constituting Target Iron Mine which are currently held by the Existing Iron Company, and after completion of the Second Reorganisation, to be held by the New Excluded Iron Company and holder of which shall have right to conduct exploration work for Iron Resources in the Target Iron Mine exclusively pursuant to the Mineral Laws
"Iron Mining Licence"	mineral mining licence No. 10811A covering 550 hectares of the Target Iron Mine which is currently and after completion of the Second Reorganisation, will continue to be held by the Existing Iron Company and holder of which shall have right to conduct mining and exploitation work for the Iron Resources in the Target Iron Mine exclusively pursuant to the Mineral Laws
"Iron Resources"	resources or reserves of iron in the Target Iron Mine
"Latest Practicable Date"	27 March 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	5:00 p.m. on 30 April 2009 or such later date as the relevant parties to the Acquisition Agreement may agree in writing
"Management Accounts"	the unaudited management accounts comprising the balance sheet of the Target Company as at 30 September 2008 and the income statement of the Target Company for the period from 1 April 2007 (or from the date of incorporation of the Target Company, if later) to 30 September 2008
"Material Adverse Change"	any change (or effect) which has a material and adverse effect on the financial position, business (including the Target Mine Businesses) or property, results of operations or prospects of the Target Group as a whole, including but not limited to any event that the amount of the additional liabilities exceed the sum of HK$1 million
"Maturity Date"	the 5th anniversary of the issue date of the Bonds or, if that is not a Business Day, the first Business Day thereafter

"Mineral Laws"	the Mineral Laws of Mongolia of 2006, as amended, modified or replaced from time to time and such other laws of Mongolia concerned with mineral resources, and such other related rules, regulations, measures and policies formulated and promulgated by the governmental agencies or public bodies of Mongolia (including without limitation national, provincial and other local authorities)
"Mining Licence(s)"	collectively, the Tungsten Mining Licence and the Iron Mining Licence
"Mongolia"	the Republic of Mongolia
"Mr. Chan"	Mr. Chan Shun Yuen, one of the Warrantors and a shareholder of the Vendor
"Mr. Ricky Chim"	Mr. Chim Kim Lun, Ricky, an executive Director
"Mr. Sun"	Mr. Sun Tak Keung, one of the Warrantors and a shareholder of the Vendor
"Natural Resources"	collectively, the Iron Resources and the Tungsten Resources or, if the context so requires, either of them
"New Excluded Iron Company"	a company incorporated or to be incorporated in Mongolia and held by the Vendor, which before Completion will become the registered holder and beneficial owner of the Iron Exploration Licences
"New Excluded Tungsten Company"	a company incorporated or to be incorporated in Mongolia and held by the Vendor, which before Completion will become the registered holder and beneficial owner of the Tungsten Exploration Licence
"Permit(s)"	(i) permit, licence, consent, approval, certificate, qualification, specification, registration or other authorisation; (ii) a filing of a notification, report or assessment, in each case necessary for the effective operation of the business of the relevant companies of Target Group and their respective ownership, possession, occupation or use of an asset
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Promissory Note"	(i) a promissory note in the principal amount of HK$250 million (or, in the event of the First Reorganisation not being consummated before Completion, HK$160 million) and (ii) (in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) before Completion) a promissory note in the principal amount of HK$70 million, which may be issued pursuant to the terms of the Acquisition Agreement by the Purchaser with 15 months maturity from the date of issue at zero coupon rate for settlement of part of the Acquisition Price pursuant to the Acquisition Agreement
"Properties"	all the properties owned, leased or occupied by the Target Group
"Purchaser"	Infinite Nature Limited, a wholly-owned subsidiary of the Company with limited liability, which was incorporated in BVI
"Purchaser Warranties"	warranties, representations and undertakings given by the Purchaser and/or the Company under the Acquisition Agreement
"Reorganisation"	collectively, the First Reorganisation and the Second Reorganisation
"Sale Debts"	such amount as equals the entirety of the face value of the loans outstanding as at Completion made by or on behalf of the Vendor to the Target Company (subject to adjustments)
"Sale Shares"	such number of shares of the Target Company as shall represent the entire issued share capital in the Target Company immediately before Completion, which will then be legally and beneficially owned by the Vendor and to be bought and sold on the terms of the Acquisition Agreement
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of, among other things, approving the Acquisition Agreement and the transactions contemplated thereby (including but not limited to the issue of the Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Bonds)
"Share Charge"	a share charge in relation to the charge and assignment over the entire issued shares of the Target Company created by the Vendor in favour of the Purchaser for the purpose of securing the repayment of the Deposits or any part thereof
"Shareholder Loans"	the interest-free loans owing from time to time by members of the Target Group to the Vendor and its Associates

"Share(s)"	ordinary share(s) of HK$0.05 each in the existing share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement No. 1"	the supplemental agreement to the Acquisition Agreement dated 5 January 2009
"Supplemental Agreement No. 2"	the supplemental agreement to the Acquisition Agreement dated 2 February 2009
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers
"Target Company"	Tian Sheng Resources Development Limited, a company incorporated in BVI with limited liability
"Target Group"	the Target Company, the First Mongolia Company, the Existing Iron Company and their respective subsidiaries
"Target Iron Mine"	the iron deposits located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia, the mining licence in respect of which is currently and will upon and after the completion of the Second Reorganisation continue to be, held by the Existing Iron Company (but for the avoidance of doubt, excluding such mine being the subject of the Iron Exploration Licences which will after completion of the Second Reorganisation be held by the New Excluded Iron Company), and cover a site area of not less than 550 hectares
"Target Mines"	collectively, the Target Tungsten Mine and the Target Iron Mine
"Target Mine Businesses"	the mining and exploitation and sales of the Natural Resources (whether located in the Target Mines or otherwise)
"Target Tungsten Mine"	the tungsten deposits located in Tsunheg, in the area of North West side of Mongolia in Bayan-Olgii Aimag, Nogoon Nuur Soum, the mining licence in respect of which is currently held by the Existing Tungsten Company and will be held by the First Mongolia Company after completion of the First Reorganisation (but for the avoidance of doubt, excluding such mine being the subject of the Tungsten Exploration Licence which will after completion of the First Reorganisation be held by the New Excluded Tungsten Company), and cover a site area of not less than 29 hectares

"Tungsten Exploration Licence"	mineral exploration licence No. 5480X covering 327 hectares of the mine including the Target Tungsten Mine which is currently held by the Existing Tungsten Company and, after completion of the First Reorganisation, to be held by the New Excluded Tungsten Company and holder of which shall have right to conduct exploration work for the Tungsten Resources in the Target Tungsten Mine exclusively pursuant to the Mineral Laws
"Tungsten Mining Licence"	mineral mining licence No. 3506A covering 29 hectares of the Target Tungsten Mine which is currently held by the Existing Tungsten Company and, after completion of the First Reorganisation, to be held by the First Mongolia Company and holder of which shall have right to conduct mining and exploitation work for the Tungsten Resources in the Target Tungsten Mine exclusively pursuant to the Mineral Laws
"Tungsten Resources"	resources or reserves of tungsten in the Target Tengsten Mine
"Vendor"	Bao Fung Investments Limited, a company incorporated in BVI with limited liability, whose shares are owned by the Warrantors
"Vendor Warranties"	warranties, representations and undertakings given by the Vendor and/or the Warrantors under the Acquisition Agreement
"Warrantors"	Mr. Sun and Mr. Chan, as warrantors of the Vendor
"Warranties"	the Vendor Warranties or, as the case may be, the Purchaser Warranties
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%" or "per cent"	percentage

For illustration purpose of this circular, the exchange rate of US$ is based on US$1.00 = HK$7.80.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

Executive Director:
Mr. Chim Kim Lun, Ricky
Mr. Chan Sung Wai

Independent non-executive Directors:
Mr. Yiu Fai Ming
Mr. Zhang Xianlin
Mr. Tse Yuk Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 04, 34/F
Bank of America Tower
12 Harcourt Road
Hong Kong

31 March 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION RELATING TO THE ACQUISITION OF THE SALE SHARES AND SALE DEBTS

INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 3 December 2008, the Purchaser, which is a wholly-owned subsidiary of the Company, and the Company (as the warrantor of the Purchaser) entered into the Acquisition Agreement with the Vendor and the Warrantors in relation to the Acquisition. Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Shares and the Sale Debts from the Vendor at the consideration of initially HK$560 million (or initially HK$300 million in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion) (subject to adjustments).

Following the implementation of the Reorganisation, the Target Group will conduct mining business by obtaining (through the Purchaser's acquisition of the entire issued share capital of the Target Company) the Tungsten Mining Licence in respect of the Tungsten Resources at the Target Tungsten Mine and the Iron Mining Licence in respect of the Iron Resources at the Target Iron Mine, and will carry on the Target Mine Businesses. For the avoidance to doubt, upon Completion, the Target Group will carry on the relevant mining and exploitation businesses of the Natural Resources, which do not include the right of exploration for such Natural Resources. The Target Tungsten Mine is located in Tsunheg, in the area of North West side of Mongolia in Bayan-Olgii Aimag, Nogoon nuur Soum and the Target Iron Mine is located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia.

* *For identification purposes only*

This circular provides you with, among other things, (i) further details of the Acquisition, the Promissory Note and the Bonds; (ii) information required under Chapter 14 of the Lising Rules and (iii) a notice of the SGM.

THE ACQUISITION AGREEMENT

Date:	The Acquisition Agreement dated 3 December 2008 (as supplemented by Supplemental Agreement No. 1 and Supplemental Agreement No. 2)
Vendor:	Bao Fung Investments Limited, an investment holding company incorporated in BVI with limited liability. The Vendor is owned by Mr. Sun and Mr. Chan in equal share as at the Latest Practicable Date.
Purchaser:	Infinite Nature Limited, a wholly-owned subsidiary of the Company and an investment holding company incorporated in BVI with limited liability
Warrantors:	Mr. Sun and Mr. Chan, as warrantors of the Vendor, and
Company:	Asia Resources Holdings Limited, as the warrantor of the Purchaser

Mr. Sun is an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited ("**Xian Yuen**", stock code: 353) and Huscoke Resources Holdings Limited ("**Huscoke**", stock code: 704), which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Yueshou Environmental Holdings Limited ("**Yueshou**", stock code: 1191) for the period from July 2007 to October 2008 which is listed on the Main Board of the Stock Exchange and was an executive director of Polyard Petroleum International Group Limited ("**Polyard**", stock code: 8011) for the period from July 2002 to November 2007 which is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Sun is acquainted with Mr. Chan Sung Wai, an executive Director, as Mr. Chan Sung Wai is also an executive director of Xian Yuen. Mr. Sun is acquainted with Mr. Ricky Chim, an executive Director, as Mr. Ricky Chim is also an executive director of Huscoke and Yueshou. Further, Mr. Ricky Chim's brother, Mr. Chim Kim Kiu, Jacky was an executive director of Polyard during the period when Mr. Sun was a director of Polyard. Under the Listing Rules, Mr. Sun is not a connected person of the Company nor a party acting in concert (as defined in the Takeovers Code) with Mr. Ricky Chim or Mr. Chan Sung Wai or other connected persons of the Company.

Mr. Chan has become acquainted with Mr. Ricky Chim during the course of a very substantial acquisition (the "**Karce Transaction**") by Karce International Holdings Company Limited ("**Karce International**", stock code: 1159) which is listed on the Main Board of the Stock Exchange, in relation to Karce International's acquisition of a group which is principally engaged in the design and manufacturing of high definition projection televisions and related accessories pursuant to an acquisition agreement entered into, among other parties, by a subsidiary of Karce International as purchaser dated 30 April 2008. Mr. Chan was one of the ultimate beneficial owners of one of the vendors under the Karce Transaction and Mr. Ricky Chim is an executive director of Karce International. Under the Listing Rules, Mr. Chan is not a connected person of the Company nor a party acting in concert (as defined in the Takeovers Code) with Mr. Ricky Chim or other connected persons of the Company.

Save as disclosed above, the Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Debts, subject to the terms and conditions as set out in the Acquisition Agreement.

As at the Latest Practicable Date, the Sale Debts represent all the Shareholder Loans owing by the Target Group. To the best of the Directors' knowledge and information having made all reasonable enquiry, as at the Latest Practicable Date, the amount of the Sale Debts owing to the Vendor by the Target Group is approximately US$6.02 million, equivalent to approximately HK$46.96 million. Such amount, which was accounted as the Shareholder Loans to the Existing Iron Company, was mainly used for obtaining the relevant mining rights for the Existing Iron Company. As at the Latest Practicable Date, as far as the Directors are aware save for the Shareholder Loans of the Existing Iron Company, there are no other Shareholder Loans owing by the Target Group.

The information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Reorganisation before the Completion

Pursuant to the Acquisition Agreement, the Vendor and the Warrantors will procure implementation of:

(1) the following reorganisation of, among others, the Existing Tungsten Company ("**First Reorganisation**"):

    (a) before Completion, the Tungsten Exploration Licence and the Tungsten Mining Licence in respect of the Tungsten Resources at the Target Tungsten Mine will become vested in the First Mongolia Company, free from all encumbrances; and

    (b) before Completion, the Tungsten Exploration Licence will be transferred to and become vested in the New Excluded Tungsten Company, while the Tungsten Mining Licence will continue to be held by the First Mongolia Company;

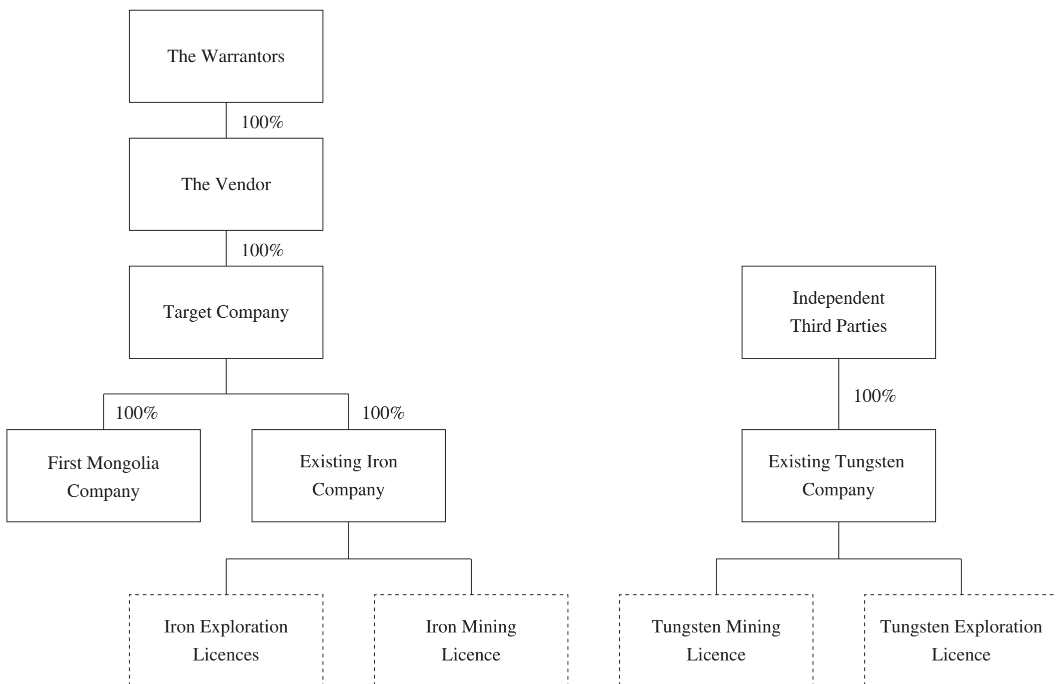
(2) the following reorganisation of, among others, the Existing Iron Company ("**Second Reorganisation**") before Completion, the Iron Exploration Licences will be transferred to and become vested in the New Excluded Iron Company, while the Iron Mining Licence will continue to be held by the Existing Iron Company;

(3) immediately before Completion, the loans owing by each of the companies of the Target Group to the Vendor's Associates will be assigned to become loans owing by the Target Company to the Vendor,

and all the above steps under the Reorganisation shall be consummated on or before Completion.

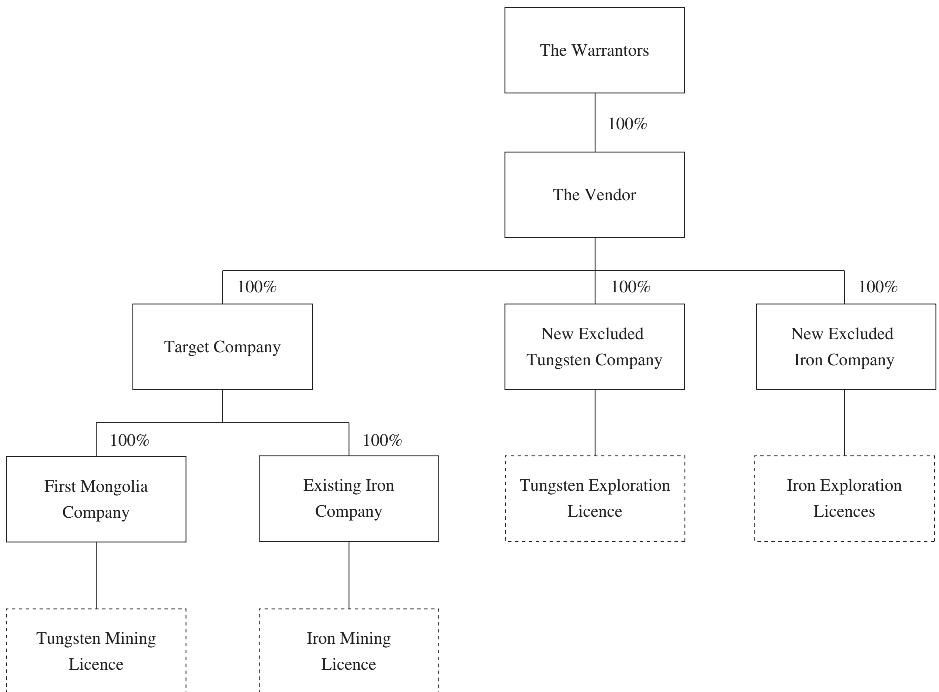
The shareholding structure of the Target Group

Immediately before the Reorganisation:

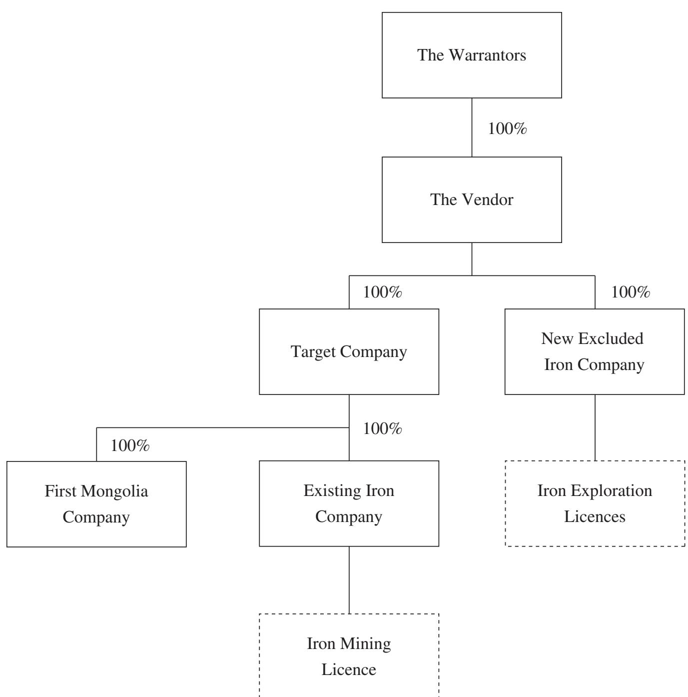


Note: The existing shareholders of the Existing Tungsten Company are namely Mr. Jamsran Jasrai, Mr. Amitan Namilan and Ms. Lucy Gao, and each of them owns one-third of the shareholding interest of the Existing Tungsten Company. The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the existing shareholders and the ultimate beneficial owners of Existing Tungsten Company are Independent Third Parties.

Immediately after the Reorganisation:



Immediately after the Second Reorganisation (in the event that the First Reorganisation not being consummated before Completion):



The Acquisition Price

The Acquisition Price is initially HK$560 million, subject to adjustment as set out in the paragraph headed "Adjustments to the Acquisition Price" below, and will be satisfied:

(i) as to not less than HK$70 million and not more than HK$140 million in cash;

(ii) as to HK$170 million by the Company's issue to the Vendor (or such person(s) as nominated by the Vendor) of the Bonds; and

(iii) as to not less than HK$250 million and not more than HK$320 million by the Purchaser's issue to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor).

Particulars of the payment of the Acquisition Price are set out in the paragraph headed "Payment of the Acquisition Price" below.

In the event of the First Reorganisation not being consummated before Completion but the Purchaser at its sole discretion elects to proceed to Completion, the Acquisition Price is initially HK$300 million, subject to adjustment as set out in the paragraph headed "Adjustments to the Acquisition Price" below, and will be satisfied:

(i) as to not less than HK$70 million and not more than HK$140 million in cash; and

(ii) as to not less than HK$160 million and not more than HK$230 million by the Purchaser's issue to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor).

The consideration of the Sale Shares shall be an amount equal to the difference between the Acquisition Price and the face value of the Sale Debts as at the Completion Date. The consideration of the Sale Debts shall be an amount equal to the face value of the Sale Debts as at the Completion Date.

The Acquisition Price was determined after arm's length negotiation between the Vendor and the Group with reference to (i) the estimated amount of raw tungsten deposits of approximately 19.9 million tons in the Target Tungsten Mine and the estimated amount of the raw iron deposits of approximately 32 million tons in the Target Iron Mine; and (ii) the market price of Tungsten and Iron of approximately US$14,700 per ton and US$176 per ton, respectively, according to the preliminary feasibility report supplied to the Company. As stated in Appendix V to this circular, the Company has engaged B.I. Appraisals Limited, an independent professional firm of valuers ("**Valuers**"), being an Independent Third Party, to conduct an independent valuation on the fair value of the entire equity interest in the mining business of the Target Mines.

Based on the valuation reports as set out in Appendix V to this circular, the valuation of the fair value of the entire equity interest in the mining business of the Target Iron Mine and Target Tungsten Mine would be approximately US$39 million and US$35 million (equivalent to approximately HK$304 million and HK$273 million), respectively, as at 31 December 2008.

Given that the Acquisition Price will be adjusted in accordance with the valuation of the entire equity interest in the mining business of Target Mines and based on the valuation report as set out in Appendix V to this circular, the Directors (including the independent non-executive Directors) consider that the Acquisition Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment of the Acquisition Price

The Acquisition Price shall be satisfied:

(1) on or before 9 January 2009 (or such other date as may be agreed between the Vendor and the Purchaser in writing) and conditional upon the Share Charge being executed by the Vendor (which Share Charge was executed on the date of the Acquisition Agreement), by the payment of a deposit in the aggregate sum of HK$70 million ("**First Deposit**") by the Purchaser to the Vendor (or its nominee) by way of cheque or in such other manner as may be agreed between the Vendor and the Purchaser;

(2) on or before 5 March 2009 (or such other date as agreed to between the Vendor and the Purchaser in writing) but in any event conditional upon all the following condition ("**Further Deposit Release Conditions**") being fulfilled (none of which conditions may be waived by any of the parties to the Acquisition Agreement):

(a) fund-raising exercise being effected by the Company, as a result of which the Company will have raised net proceeds of no less than HK$70 million *(Note 1)*; and

(b) the Share Charge having been duly executed and registered with the Registrar of Corporate Affairs in BVI;

by the payment of a further deposit of HK$70 million (the "**Further Deposit**") by the Purchaser to the Vendor (or its nominee) by way of a cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser *(Note 2)*;

(3) subject to (4) below, at Completion (where both the First Reorganisation and the Second Reorganisation having been consummated prior thereto):

(a) as to HK$170 million, by the Company's issue to the Vendor (or such person(s) as nominated by the Vendor) of the Bonds;

(b) as to HK$250 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor) by way of a bank cashier's order or cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser; and

(c) in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) in accordance with (2) above before Completion, as to HK$70 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount.

(4) (in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion) at Completion:

(a) as to HK$160 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount or, solely at the option of the Purchaser, by cash payment to the Vendor (or such person(s) as nominated by the Vendor) by way of a bank cashier's order or cheque to be issued by the Purchaser or the Company or in such other manner as may be agreed between the Vendor and the Purchaser; and

(b) in the event that the Further Deposit Release Conditions are not fulfilled and the Further Deposit will not have been paid to the Vendor (or to its nominee) in accordance with (2) above before Completion, as to HK$70 million, by the Purchaser's issue and delivery to the Vendor (or such person(s) as nominated by the Vendor) of a Promissory Note for such principal amount.

The First Deposit (and, where applicable, the Further Deposit) shall be paid to the Vendor by way of deposit under the Acquisition Agreement. The Deposits shall on the Completion be applied to satisfy payment of a pro tanto amount of the Acquisition Price. If the Acquisition Agreement is terminated pursuant to the terms of the Acquisition Agreement, the Vendor shall within one (1) month after the Long Stop Date repay to the Purchaser an amount equivalent to the Deposits without interest. If the Vendor fails to repay the entirety of the Deposits to the Purchaser before the prescribed date, interest shall accrue from the due date of payment until the date of full repayment at the rate equivalent to the current Hong Kong dollar best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for the same Hong Kong dollar amount.

Further, to secure the Vendor's obligation to repay the Deposits to the Group if the Acquisition Agreement is terminated, the Vendor executed the Share Charge for charging and assigning the entire issued shares of the Target Company in favor of the Purchaser on 3 December 2008. The Share Charge was registered with the Registrar of Corporate Affairs in BVI on 10 December 2008.

Note:

1. As at the Latest Practicable Date, the Company has not entered into any agreement in respect of the proposed fund raising exercise. In the event that the Company shall proceed to raise fund and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

2. In considering the amount of Deposits payable under the Acquisition Agreement, acquisitions of both the Target Tungsten Mine and the Target Iron Mine were taken into account, therefore the total Acquisition Price in the sum of HK$560 million as a whole (instead of HK$300 million) has been used as the basis of consideration for determining the amount of deposit payable. As at the Latest Practicable Date, HK$70 million was paid by the Group as the First Deposit to the Vendor, representing approximately 12.5% of the Acquisition Price of HK$560 million. The Directors consider such percentage of deposit is on normal commercial term. The Further Deposit in the sum of HK$70 million may or may not be paid, as its payment in the form of cash will depend on whether the Company would be able to raise sufficient fund (or at all) for payment of the Further Deposit. Further, the repayment of the Deposit (in case of termination of the Acquisition Agreement) is secured by the Share Charge which was executed on the date of the Acquisition Agreement and registered with the Registrar of Corporate Affairs in BVI in December 2008. Given the Share Charge was executed by the Vendor on the date the Acquisition Agreement and registered in December 2008, the Directors consider that the payment of the First Deposits and (if so paid) the Further Deposit (i.e. HK$140 million in aggregate), which represent approximately 25% of the Acquisition Price of HK$560 million and approximately 46.7% of the Acquisition Price of HK$300 million (in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion), is fair and reasonable.

Adjustment to the Acquisition Price

In the event that the value of the entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the final valuation reports issued by the Valuer and set out in Appendix V to this circular is less than HK$560 million, and where the Vendor and the Purchaser agree to Completion taking place, the Acquisition Price shall be adjusted in accordance with the following formula:

Adjusted Acquisition Price	=	the value of entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the said final valuation report

Provided that where the value of the entire equity interest in the mining business of the Target Mines (immediately after completion of the Reorganisation but before Completion) as contained in the said final valuation report is more than HK$560 million, the Acquisition Price shall remain to be HK$560 million.

As stated in the valuation reports as set out in Appendix V to this circular, the value of the entire equity interest in the mining business of the Target Mines (immediately after the completion of the Reorganisation but before Completion) is not less than HK$560 million.

Where in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion, and the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the final valuation reports issued by the Valuer and set out in Appendix V to this circular is less than HK$300 million, and where the Vendor and the Purchaser agree to Completion taking place, the Acquisition Price shall be adjusted in accordance with the following formula:

Adjusted Acquisition Price	=	the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the said final valuation report

Provided that where the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after completion of the Second Reorganisation but before Completion) as contained in the said final valuation report is more than HK$300 million, the Acquisition Price shall remain to be HK$300 million.

As stated in the valuation report as set out in Appendix V to this circular, the value of the entire equity interest in the mining business of the Target Iron Mine (immediately after the completion of the Second Reorganisation but before Completion) is not less than HK$300 million.

Where the Acquisition Price is subject to any adjustment provided above, the Acquisition Price shall be reduced by a pro tanto amount of the shortfall from the principal amount of the Bonds or the principal amount of the Promissory Note payable under the terms of the Acquisition Agreement.

Pursuant to the terms of the Acquisition Agreement, the Vendor expressly represents and warrants to the Purchaser that as at the Completion Date:

(1) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its Associates or otherwise), otherwise than those as shown in the Management Accounts in respect of the Target Group; and

(2) (otherwise than those as shown in the Management Accounts or disclosed to and agreed by the Purchaser in advance) there are no guarantees given by any companies in the Target Group whatsoever and howsoever.

If there occurs any breach of the Warranties set out in (1) or (2) above and reflected in the Completion Accounts, the Acquisition Price shall be reduced by an amount equal to the aggregate amount of such additional liabilities. In the event of a reduction of the Acquisition Price pursuant to the foregoing provisions, (a) the principal amount of the Promissory Note shall be reduced by a pro tanto amount of the reduction of the Acquisition Price; or (b)(i) the Purchaser shall, as soon as reasonable after having been aware of such breach, inform the Vendor of such breach, (ii) the Vendor shall within five Business Days after the date of notice in writing given by the Purchaser deliver up to the Purchaser for cancellation of the then Bonds held by it, and (iii) the Purchaser shall procure the Company, against and within five Business Days after the date of the Vendor's delivery up for cancellation of the said Bonds, issue and deliver to the Vendor new Bonds for the balance of the Acquisition Price payable on the basis of the Acquisition Price as so adjusted.

Closing Conditions

Completion of the Acquisition in accordance with the Acquisition Agreement is subject to the following conditions being fulfilled and remaining satisfied as at the Completion (or waived by the Purchaser as appropriate):

(a) receipt by the Purchaser from the Vendor of a legal opinion on Mongolia laws (in such form and substance to the Purchaser's satisfaction) covering, among others, the following major issues:

  (i) each of the First Mongolia Company, the Existing Iron Company, the New Excluded Tungsten Company and the New Excluded Iron Company having been duly established and validly subsisting;

  (ii) each of the First Mongolia Company and the Existing Iron Company having obtained all relevant operating Permits required at the time of its establishment and such Permits remaining valid;

  (iii) the legality of the operation and business of each of the First Mongolia Company and the Existing Iron Company;

  (iv) completion of the Reorganisation, the First Mongolia Company and the Existing Iron Company having obtained the Mining Licences in respect of the Target Tungsten Mine and the Target Iron Mine, respectively, and all such licences being in full force and effect (and, in connection with the Reorganisation, the New Excluded Tungsten Company and the New Excluded Iron Company having obtained the Exploration Licences in respect of the Target Tungsten Mine and the Target Iron Mine, respectively, and all such licences being in full force and effect);

(v) the First Mongolia Company and the Existing Iron Company having obtained the rights to use and occupy the relevant Properties;

(vi) (if required) all necessary approval, authorisation, consent, registration and filings required having been obtained and effected by the Target Company and/or the First Mongolia Company and/or the Existing Iron Company (where applicable) in relation to the Acquisition Agreement and the transactions contemplated thereunder;

and such other aspects of Mongolian law as the Purchaser may consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement;

(b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and issue of the Conversion Shares;

(c) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Bonds (if issued);

(d) the approval by the Shareholders (or, as the case may be, the independent Shareholders) at the SGM of the Acquisition Agreement and the transactions contemplated thereby (including but not limited to the allotment and issue of the Conversion Shares) and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(e) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the Acquisition contemplated by the Acquisition Agreement having been obtained;

(f) all relevant approvals, consents, registration and filing procedures (including without limitation the registration of the Target Company as the registered holder of the entire issued shares in the First Mongolia Company and the Existing Iron Company) relating to the Target Company, the First Mongolia Company and the Existing Iron Company in connection with the Acquisition contemplated by the Acquisition Agreement having been obtained and, as the case may be, completed;

(g) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, quantity of Natural Resources, valuation, operational or other aspects that the Purchaser considers relevant) on the Target Group and their related businesses, assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;

(h) the Purchaser being satisfied, from the date of the Acquisition Agreement and at any time before the Completion, that the Vendor Warranties given under the Acquisition Agreement remain true and accurate in all material respects, and not misleading or in breach in any material respect and that no events have suggested that there were any breach of any Vendor Warranties or other provisions of the Acquisition Agreement (including without limitation those concerning the Target Group) by the Vendor and/or the Warrantors;

(i) the Purchaser being satisfied that, from the date of the Acquisition Agreement to Completion, there has not been any Material Adverse Change in respect of any member of the Target Group;

(j) all outstanding Shareholder Loans owing from the Target Group to the Vendor's Associates having been assigned to the Vendor immediately before the Completion and all necessary approvals, consents, authorisations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned; *(Note)*

(k) the Vendor providing the Purchaser with a confirmation and/or other supporting documents as reasonably required by the Purchaser, showing that all licence fees and other fees required to be paid by the First Mongolia Company and the Existing Iron Company to the Mineral Resources and Petroleum Authority of Mongolia and/or other governmental authorities in respect of exploitation, mining, owning and operating the Target Tungsten Mine and the Target Iron Mine, all the fees required to be paid by the First Mongolia Company (or, as the case may be, the Existing Iron Company) in obtaining the Mining Licences (with a term of not less than 30 years commencing from the first issuing date of the respective Mining Licences (i.e. from 2001 for the Target Tungsten Mine and from 2005 for the Target Iron Mine) and all other operating Permits in respect of the Target Tungsten Mine and the Target Iron Mine having been fully paid and there are no outstanding fees;

(l) the Purchaser having obtained a final valuation report issued by such professional valuers retained or to be retained by the Company, that indicates that the value of the entire equity interest in the mining business of Target Mines is not less than HK$560 million (or HK$300 million (excluding the Target Tungsten Mine in the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion); and

(m) no indication being received from the Stock Exchange that the transactions contemplated under the Acquisition Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under the Listing Rules.

Note: The Sale Debts represent all the Shareholder Loans owing by the Target Group. To the best of the Directors' knowledge and information having made all reasonable enquiry, as at the Latest Practicable Date, the amount of the Sale Debts owed to the Vendor by the Target Group is approximately US$6.02 million, equivalent to approximately HK$46.96 million. Such amount, which was accounted as the Shareholder Loans to the Existing Iron Company, was mainly used for obtaining the relevant mining rights for the Existing Iron Company. As at the Latest Practicable Date, save for the Shareholder Loans to the Existing Iron Company, there are no other Shareholder Loans owing by the Target Group.

The Vendor and the Warrantors shall use all reasonable endeavours to satisfy the Closing Conditions (other than the Closing Conditions as referred to in paragraphs (b), (c), (d) and (m) above) on or before the Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the Acquisition Agreement and the timely supply of information to the Stock Exchange). Each of the Vendor and the Warrantors shall and undertakes to procure the companies of the Target Group to provide all such information and documents and execute all such applications, documents and other things as may be reasonably required by the Stock Exchange or any other regulatory authority.

The Purchaser may at its absolute discretion at any time waive in writing any of the Closing Conditions referred to in (a), (e), (f), (g), (h), (i), (j), (k) and (l) above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

Where the Purchaser is of the reasonable view that the First Reorganisation cannot be consummated before Completion, the Purchaser at its sole absolute discretion may (and, for the avoidance of doubt, is not obliged to) elect to proceed to Completion without the First Reorganisation being consummated, as a result of (and immediately after) the Completion, the Target Group shall comprise only the Target Company and Existing Iron Company (after completion of the Second Reorganisation), provided that the Vendor shall procure that before Completion, all obligations and liabilities (if any) in respect of the Target Company, the Company and the Company's subsidiaries in connection with the steps taken arising from or in connection with the First Reorganisation shall be extinguished and cancelled and shall have no further effect.

If the Closing Conditions are not fulfilled or waived on or before the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect except certain provisions as specified in the Acquisition Agreement, and no party to the Acquisition Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Acquisition Agreement, including any breaches of the Closing Conditions.

At the Latest Practicable Date, other than conditions (b), (l) and (m) above, none of the above Closing Conditions have been fulfilled.

Completion

Subject to satisfaction of all the Closing Conditions in respect of the Acquisition in full (save for any Closing Condition in respect of the Acquisition, the full compliance with or satisfaction of which has been waived by the Purchaser) and the Purchaser's right under the terms of the Acquisition Agreement, Completion shall take place at 11:00 a.m. (Hong Kong time) on the Completion Date. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

First Right of refusal

Pursuant to the Acquisition Agreement, in consideration of HK$1 paid by the Purchaser to each of the Vendors and the Warrantors (for the purpose of this paragraph, collectively referred to as the "**Covenantors**"), each of the Covenantors has agreed to grant to the Company the first right of refusal in relation to the Covenantors or their respective Associates' investments in Mongolia (including without limitation the New Excluded Tungsten Company and the New Excluded Iron Company, collectively referred to the "**Excluded Mongolia Company(ies)**") which have been disclosed to the Purchaser on or before the Completion. During the period of five (5) years following the date of the Acquisition Agreement, each of the Covenantors shall not (and it shall procure its Associates who are owners of equity interest in the Excluded Mongolia Companies not to) enter into any arrangement or agreement for the disposal of any of the equity interest in the Excluded Mongolia Company, unless for each time when any of the Covenantors intends to dispose of any interest in any of the Excluded Mongolia Companies, such Covenantor shall first inform the Purchaser of such intended transaction and the Purchaser has not within the prescribed period of time thereafter confirmed its acceptance of such transaction and provided that the terms offered by the relevant Covenantor to other purchaser for the acquisition of the relevant interests shall not be on terms that are more favourable than those offered to the Purchaser.

PROMISSORY NOTE

Where both the First Reorganisation and the Second Reorganisation have been consummated prior to Completion, not less than HK$250 million and not more than HK$320 million of the Acquisition Price shall be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor (or its nominee(s)). In the event of the First Reorganisation not being consummated before Completion, but the Purchaser at its sole discretion elects to proceed to Completion, not less than HK$160 million and not more than HK$230 million of the Acquisition Price shall be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor (or its nominee(s)).

The principal terms of the Promissory Note are as follows:

Issuer:	The Purchaser
Maturity:	15 months from the date of issue of the Promissory Note
Transferability:	The Promissory Note is transferable
Coupon rate:	Zero
Security:	No security will be provided by the Purchaser (as issuer of the Promissory Note) in respect of its obligations under the Promissory Note
Repayment:	At the sole discretion of the Purchaser, the Promissory Note or such part thereof may be repaid earlier if the Purchaser has given to the holder of the Promissory Note not less than seven days' prior written notice. Otherwise, payment of principal amount of Promissory Note shall be made upon its maturity.

THE BONDS

HK$170 million of the Acquisition Price (assuming Completion) is to be satisfied by the issue of the Bonds by the Company to the Vendor (or its nominee(s)).

Issuer:	The Company
Principal amount:	HK$170 million
Form and denomination:	The Bonds will be issued in registered form and in the denomination of HK$150,000 each.
Maturity date:	The first Business Day falling on the 5th anniversary from the issue date of the Bonds.
Interest:	The Bonds shall accrue no interest.

Transferability:	The Bonds will be freely transferable but may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. Where the Bonds are intended to be transferred to a connected person of the Company (other than the Associates of the holder of the Bonds), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange (if any). The Company will notify the Stock Exchange immediately upon becoming aware of any dealings in the Bonds by connected persons of the Company.
Conversion:	A holder of Bonds ("Bondholder(s)") shall have the right at any time and from time to time during the period commencing from the Completion Date up to 4:00 p.m. on the Maturity Date to convert the whole or part of the principal amount of the Bond(s) in amounts of not less than a whole multiple of HK$150,000 of the principal amount outstanding under the Bonds into Conversion Shares on each conversion, save that if at any time, the outstanding principal amount of the Bonds is less than HK$150,000, the whole (but not part only) of the outstanding principal amount of the Bonds may be converted. However, the Company shall not issue any new Conversion Shares and the Bondholder shall not exercise its conversion right attaching to the Bonds if, immediately after such conversion: (i) such holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in Shares which give rise to any mandatory general offer obligations as defined in the Takeovers Code; and/or (ii) the public float of the Shares falls below the minimum public float requirement stipulated under the Listing Rules and as required by the Stock Exchange.
Compulsory conversion on the Maturity Date:	Save for the redemption as set out in the paragraph headed "Adjustments to the Acquisition Price" above, any Bonds which remain outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be converted automatically into the Conversion Shares and the date of the conversion shall for such purpose be deemed to be the Maturity Date, provided that there will not be any automatic conversion of the Bonds on the Maturity Date under the restrictions set out in the paragraph headed "Conversion" above.
Initial Conversion Price:	The Bonds shall be converted at the Initial Conversion Price of HK$0.30 per Conversion Share (subject to adjustment).

The Initial Conversion Price of HK$0.30 represents:

(i) a discount of approximately 21.1% to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on 3 December 2008, being the date of the Acquisition Agreement;

(ii) a discount of approximately 20% to the average of the closing prices of approximately HK$0.375 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the date of the Acquisition Agreement;

(iii) a discount of approximately 23.3% to the average of the closing prices of approximately HK$0.391 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the date of the Acquisition Agreement; and

(iv) a premium to approximately 13.2% to the net assets value per Share of approximately HK$0.265 based on the net asset value of the Group as at 31 March 2008 and 1,411,440,590 Shares as at the Latest Practicable Date.

The Initial Conversion Price is subject to adjustments upon the occurrence of subdivision or consolidation or reclassification of Shares, capitalization issues, capital distribution, rights issues and grant of options and warrants.

Cancellation: Immediately upon redemption, conversion or purchase by the Company (or, where applicable, the Company's subsidiaries), the Bonds so redeemed, converted or purchased shall forthwith be cancelled. Any Bonds so cancelled shall not be re-issued or re-sold.

Voting rights: The holder of the Bonds will not be entitled to attend or vote at any general meeting of the Company by reason only of it being a holder of the Bonds.

Ranking: The Bonds will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Bonds will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.

Purchase: The Company or any of its subsidiaries may at any time and from time to time purchase the Bonds at any price as agreed between the Company (or its subsidiaries) and the relevant holder of the Bonds, provided that such price shall not exceed 118% of the principal amount of the Bonds.

Listing:	The Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares

Upon full conversion of the Bonds at the Initial Conversion Price (subject to adjustments), a total of 566,666,666 Conversion Shares will be issued, representing (i) approximately 40.15% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) (assuming no other changes) approximately 28.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Bonds at the Initial Conversion Price (subject to adjustments).

The Conversion Shares will be issued pursuant to specific mandate to be sought and granted (if so granted) at the SGM.

EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effect on the shareholding structure of the Company assuming full conversion of the Bonds:

	As at the Latest Practicable Date		**Assuming full conversion of the Bonds**	
	Shares	*(%)*	*Share*	*(%)* *(Note 2)*
Golden Mount *(Note 1)*	400,000,000	(28.34)	400,000,000	(20.22)
Vendor or its nominees	–	–	566,666,666	(28.65)
Public shareholders	1,011,440,590	(71.66)	1,011,440,590	(51.13)
Total	1,411,440,590	(100.00)	1,978,107,256	(100.00)

Notes:

1. Golden Mount is owned by Mr. Chim Pui Chung who is the father of Mr. Ricky Chim, a Director. Immediately upon the Completion, on the assumption that the Vendor does not hold any Shares and, therefore, it would not be deemed and presumed as parties acting in concert with Golden Mount as defined under the Takeovers Code. However, if the Vendor converts the Bonds and holds 20% or more of the Shares and if Golden Mount still holds 20% or more of the Shares, the Vendor will (unless rebutted) be presumed as a party acting in concert with Golden Mount.

   As detailed in the above paragraph headed "The Bonds", the Company shall not issue new Conversion Shares and the Bondholder shall not exercise the conversion right attaching to the Bonds if, immediately after such conversion:

   (i) such holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in Shares which give rise to any mandatory general offer obligations as defined in the Takeovers Code; and/or

   (ii) the public float of the Shares falls below the minimum public float requirement stipulated under the Listing Rules and as required by the Stock Exchange.

2. This column is for illustration purpose only. Please refer to note 1 above for details.

DILUTION EFFECT ON SHAREHOLDERS

Due to the significant dilutive nature of the Conversion Shares, the Company will make disclosure relating to changes in its issued share capital (including any conversion of the Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in BVI with limited liability on 24 August 2007 and whose entire issued share capital is owned by the Vendor as at the Latest Practicable Date.

The First Mongolia Company was incorporated in Mongolia on 5 May 2008 and whose entire issued share capital is owned by the Target Company as at the Latest Practicable Date.

The Existing Iron Company was incorporated in Mongolia on 24 April 2008 and whose entire issued share capital is owned by the Target Company as at the Latest Practicable Date.

As far as the Directors are aware, the Target Company has not conducted any businesses since its incorporation and has no major assets or operating businesses.

Upon the Completion, the Target Group will become the holder of (i) Tungsten Mining Licence covering 29 hectares of Target Tungsten Mine; and (ii) Iron Mining Licence covering 550 hectares of Target Iron Mine.

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

The financial information of the Target Group has been set out in Appendix II to this circular.

INFORMATION ON THE TARGET MINES

Target Tungsten Mine

The tungsten deposits are located in Tsunheg, in the area of North West side of Mongolia in Bayan-Olgii Aimag, Nogoon nuur Soum. The Tungsten Mining Licence has an initial term of 30 years and it can be extended for two (2) successive additional periods of 20 years each. By an agreement dated 8 August 2008 and made between the Existing Tungsten Company as vendor and First Mongolia Company as purchaser, it has been agreed that the Tungsten Mining Licence and the Tungsten Exploration Licence shall be sold by the Existing Tungsten Company to the First Mongolia Company at a consideration of US$10.35 million, equivalent to approximately HK$80.73 million, which sale and purchase will be completed as part of (and before completion of) the Reorganisation.

The Directors are aware that the portion of the Acquisition Price in the sum of HK$260 million attributable to the acquisition of the Tungsten Mining Licence represents a considerable premium over the consideration of US$10.35 million for the previous acquisition of the Tungsten Mining Licence and the Tungsten Exploration Licence by the First Mongolia Company. The Directors are of the view that such portion of the Acquisition Price in the amount of HK$260 million for the Tungsten Mining Licence is fair and reasonable and in the best interest of the Company and its Shareholders as a whole after taking into the following factors:

1. the Company has engaged B.I. Appraisals Limited, an independent professional firm of valuers to conduct the independent valuation on the fair value of the entire equity interest in the mining business of the Target Mines;

2. the Acquisition Price will be adjusted in accordance with the independent valuation of the entire equity interest in the mining business of Target Mines (particular of which is set out in the paragraph headed "Adjustments to the Acquisition Price"); and

3. before entering into the negotiation with the Vendor, the Directors did not have any information or knowledge about the Target Mines and therefore it is impossible for the Company to acquire Tungsten Mining Licence directly from the Existing Tungsten Company at a lower cost.

Based on the preliminary feasibility report supplied to the Company, the Target Tungsten Mine has raw tungsten deposits in the estimated quantity of approximately 19.9 million tons. According to the feasibility report, it is proposed that a tungsten mining plant would be built, which is planned to be equipped with a production capacity of 3,000 tons of tungsten mine per day. The estimated set-up cost for such tungsten mining plant is approximately US$13.2 million, equivalent to approximately HK$103.0 million. As at the Latest Practicable Date, the detailed plan and time schedule for setting-up the tungsten mining plant is not yet finalized. In the event that the Company shall proceed to the setting-up of the tungsten mining plant and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

Target Iron Mine

The iron deposits located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia. The Iron Mining Licence has an initial term of 30 years and it can be extended for two (2) successive additional periods of 20 years each.

Based on the preliminary feasibility report supplied to the Company, the Target Iron Mine has raw iron deposits in the estimated quantity of approximately 32 million tons. According to the feasibility report, it is proposed that an iron mining plant would be built, which is planned to be equipped with a production capacity of 5,000 tons of iron mine per day. The estimated set-up cost for such iron mining plant is approximately US$11.8 million, equivalent to approximately HK$92.0 million. As at the Latest Practicable Date, the detailed plan and time schedule for setting-up the iron mining plant is not yet finalized. In the event that the Company shall proceed to the setting-up of the iron mining plant and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

REASONS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and sales of pharmaceutical products.

In view of the continued economic growth and accelerated industrialization and urbanization in the PRC, there will be sustained demand for natural resources in long run, despite the current slump in mineral prices. The Directors believe that the demand for natural resources will be considerable and the Company's growth momentum will be maintained by diversifying into the natural resources area.

In view of the above, the Company therefore takes initiative in identifying business opportunities in new emerging industries that will broaden the revenue sources of the Group. The Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Company and its Shareholders. The Directors therefore believe that the Acquisition offers the Group with a good opportunity to diversify into the natural resources mining business that has good future prospect. Other than the Target Group, the Directors have not yet identified any other business opportunities that have a high-growth potential.

As stated in the accountants' report of the Target Group in Appendix II to this circular, the reporting accountants indicates that as the Target Group incurred accumulated losses of HK$0.8 million and net liabilities of HK$0.4 million as at 31 December 2008, there is material uncertainties which may cast significant doubt about the Target Group's ability to continue as a going concern. Regarding the above concern, the Directors consider that as the accumulated losses and net liabilities of the Target Group were mainly arised from the administrative expenses and pre-operation expenses and such expenses and liabilities were minimal as compared to the financial position of the Group, the indications from the reporting accountants will not affect the fairness and reasonableness of the Acquisition. Upon Completion, the Company will, if necessary, financially support the business operation of the Target Group either by the internal financial resources or by any future fund-raising exercises. As the Latest Practicable Date, the Company has not entered into any agreement in respect of such fund raising exercise. In the event that the Company shall proceed to raise fund and there is any implication under the Listing Rules, further announcement(s) will be made and appropriate steps will be taken by the Company pursuant to the Listing Rules.

Like other new investment with high-growth potential, the Acquisition is subject to certain risks that may be faced by the Company, and details of these risk factors are set out in the below paragraph headed "Risk Factors". However, having balanced the potential revenue contribution from the Target Mine Businesses, its possible risks to the Company and the certain provisions under the Acquisition Agreement (including but not limited to one of the closing conditions that the value of the entire equity interest in the mining business of Target Mines is not less than the Acquisition Price and the relating adjustment mechanism, and other warranties given by the Vendor and the Warrantors in respect of the Target Group and the Target Mines), the Directors consider that the terms of the Acquisition (including the Acquisition Price and the payment methods thereof) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to discontinue the existing business in manufacturing and sales of pharmaceutical products upon the Completion.

RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

Pre-Mining Operations

Pursuant to the pre-mining operations agreement with Mineral Resources and Petroleum Authority of Mongolia in respect of the Iron Mining Licence dated 13 June 2007 as supplemented by an extension agreement dated 2 December 2008 assigned to the Existing Iron Company on 19 August 2008 ("Pre-mining Operations Agreement"), the Existing Iron Company shall undertake:

(1) to have the reserves of the deposits approved under B and C categories by 20 December 2009 (which was extended from 23 December 2008 as mentioned in the Announcement);

(2) to have the reserves of the deposit approved by the Minerals Council of Mongolia and register such reserves with the state unified registry by 20 February 2010 (which was extended from 23 May 2009 as mentioned in the Announcement);

(3) to submit the feasibility study for discussion to the Minerals Council of Mongolia by 20 April 2010 (which was extended from 23 July 2009 as mentioned in the Announcement); and

(4) to conduct a general environmental impact assessment by 20 June 2010 (which was extended from 23 September 2009 as mentioned in the Announcement).

The above extension of time was approved by the Mineral Resources and Petroleum Authority of Mongolia. The Directors consider that such extension has no negative effect to the Acquisition as it allows the Existing Iron Company to have more time to conduct the above (1) to (4) activities after Completion.

In addition to the above, the Existing Iron Company shall have the following obligations, among others, under the Pre-mining Operations Agreement:

(1) to have the reserve approved by dates stipulated above;

(2) to submit the feasibility study to the Mineral Resources and Petroleum Authority of Mongolia by 28 July 2009; and

(3) to obtain permits for water and blasting.

Pursuant to the relevant regulations and laws of Mongolia, in the event that license holder fails to comply with its obligations under the Pre-mining Operations Agreement, the Iron Mining License may be revoked.

So far as the Directors are aware, there are presently no pre-mining operation requirements in respect of the Tungsten Mining Licence.

Deposits of Strategic Importance and Mongolian government equity participation in exploitation of deposits

The Mineral Laws defines a mineral deposit of strategic importance (a "Strategically Important Deposit") as a deposit that may have the potential to impact national security, or the economic and social development of the country at the national and regional levels, or that is generating, or has the potential to generate more than 5% of Mongolia's gross domestic product in any given year.

Either the Mongolian Government or the Mongolian Parliament may initiate proposals to declare a deposit as being a Strategically Important Deposit, but the Mongolian Parliament must approve any such proposal.

The Mineral Laws provides that the Mongolian Government may be an equity participant with any private legal entity, to an extent of up to a 50% equity interest, in the exploitation of any deposit that has been designated as a Strategically Important Deposit, where the reserves/resources of the deposit have been defined by exploration deemed to have been funded from the state budget of the Mongolia. The percentage of the State's equity interest will be determined by an agreement between the Mongolian Government and the private legal entity based on "the amount of investment made by the State."

If the quantity and grade of a Strategically Important Deposit has been defined by exploration that has not been funded from the state budget, the State may participate in the exploitation of the deposit to an extent of up to 34% equity interest.

Since the enactment of the Mineral Laws, there has been a steady stream of proposals to increase the extent of the State's equity interest in the exploitation of mineral deposits of strategic importance. However, in or around the end of 2008, none of these proposals has been enacted.

The Mineral Laws provides for an additional requirement that a legal entity holding a mining license covering a deposit of strategic importance must sell no less than 10% of its shares through the Mongolian Stock Exchange.

In the event that any and/or all of the natural resources are classified as Strategically Important Deposit, certain equity interest of the relevant members of the Target Group may be owned by the Mongolian Government. The equity interest held by the Target Company in its subsidiaries may accordingly be reduced, and the return to the Shareholders arising from the exploitation of the relevant Target Mines may be reduced.

Investments in new business

The Acquisition constitutes an investment in the new business sector, including natural resources production. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. Accordingly, the Company would invite one or two experts who are currently management members of the Existing Tungsten Company and the Existing Iron Company or have experience in the areas of the new business to join the Board or management team of the Group to assist in such areas upon completion of the Acquisition. Although there is no provision under the Acquisition Agreement for the appointment of any of the Warrantors to the Board, the Company may invite one of the Warrantors to join the Board to supervise the operation of the Target Group *(Note)*. If any mining projects, in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may adversely affect the Company.

If any such expert or the beneficial owners of the Vendor joins the Board or if there is any change in the composition of the Board, the Company shall take steps to ensure compliance of the Listing Rules. Save for the above, the Directors do not contemplate that there will be any change in the composition of the Board immediately following the completion of the Acquisition.

Note: The Acquisition does not constitute a connected transaction under Rule 14A.13(1)(b)(i) of the Listing Rules as any of the Warrantors is not or is not proposed to be or will not as a result of the subject transaction becomes a controller (i.e. a Director, chief executive or controlling shareholder of the Company) under any provision of the Acquisition Agreement.

Cyclical nature of natural resources markets and fluctuations in their prices

As a significant percentage of the revenue of the new business is derived from natural resources operations, part of the Company's future business and results of operations may dependent on the international supply of and demand for natural resources. The fluctuations in supply and demand are caused by numerous factors beyond the Company's control, which include, but not limited to:

(i) global and domestic economic and political conditions and competition; and

(ii) the rate of growth and expansion in industries with high natural resources demand.

There is no assurance that the international demand for natural resources and related products will continue to grow, or that the international demand for natural resources and related products will not experience excess supply.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. The natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of factors beyond the Company's control, which in turn may affect the Company's financial conditions.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and natural resources production projects may adversely affect the Company.

Country risk

The Company is entering a new business in Mongolia, which the Company does not have any business in. There are risks relating to the possible changes in the business environment which may reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Target Mine Businesses.

Environmental protection policies

The mining business is subject to Mongolian environmental protection law and regulations. If the Company fails to comply with existing or future environmental laws and regulations, the Company may be required to take remedial measures and/or incur compliance costs, which could have a material adverse effect on our business, operations, financial condition and results of operations.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a subsidiary of the Company and the financial results of the Target Group will be consolidated with those of the Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial effect of the Acquisition on the results and cash flows of the Group assuming the completion of the Acquisition had taken place on 1 April 2007; and on the assets and liabilities of the Group assuming the completion of the Acquisition had taken place on 30 September 2008.

Based on the unaudited pro forma consolidated income statement and balance sheet of the Enlarged Group as set out in Appendix III to this circular,

(i) the turnover of the Group would remain unchanged assuming the Acquisition has been completed on 1 April 2007;

(ii) the earnings per share of the Enlarged Group for the year ended 31 March 2008 would be HK$3.80 cents assuming the Acquisition has been completed on 1 April 2007;

(iii) the total assets of the Group would increase from approximately HK$577.4 million to approximately HK$747.4 million assuming the Acquisition has been completed on 30 September 2008; and

(iv) the total liabilities of the Group would increase from approximately HK$199.9 million to HK$337.2 million assuming the Acquisition has been completed on 30 September 2008.

LISTING RULES REQUIREMENTS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholders have any material interest in the Acquisition, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

SGM

The SGM will be held at the Wharney Guang Dong Hotel Hong Kong of No. 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 17 April 2009 at 10:30 a.m., the notice of which is set out on pages SGM 1 to SGM 3 of this circular, to consider and, if thought fit, approve the ordinary resolution to approve the Acquisition and the transactions contemplated thereunder.

There is a form of proxy for use at the SGM accompanying this circular. Whether or not you will be able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution approving the Acquisition as set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the financial information of the Group and the Target Group, the valuation report and the other information set out in the appendices to this circular.

By Order of the Board
Asia Resources Holdings Limited
Chim Kim Lun, Ricky
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 MARCH 2006, 2007 AND 2008

	Year ended 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
RESULTS			
Revenue	170,445	132,415	117,954
Profit (loss) before tax	66,586	(154,384)	(183,552)
Income tax (expense) credit	(1,204)	(4,304)	866
Profit (loss) for the year	65,382	(158,688)	(182,686)
	HK cents	*HK cents*	*HK cents*
Basic earnings (loss) per share	4.63	(11.24)	(12.94)

	As at 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
ASSETS AND LIABILITIES			
Total assets	570,280	506,638	634,724
Total liabilities	(196,332)	(208,099)	(189,886)
	373,948	298,539	444,838
Share capital	70,572	70,572	70,572
Reserves	303,376	227,967	374,266
Total equity	373,948	298,539	444,838

None of the audited financial statements of the Group for the three financial year ended 31 March 2006, 2007 and 2008 was qualified by the auditors of the Company.

2. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 AND 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008	**2007**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue	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	(57)	(7,052)
Income tax expense	(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	(0.05)	(0.51)

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2008 (unaudited) *HK$'000*	31 March 2008 (audited) *HK$'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

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR EACH OF THE TWO FINANCIAL YEARS ENDED 31 MARCH 2007 AND 2008

The following is extracted from the text of the audited financial statements of the Group together with the accompanying notes contained on pages 24 to 71 of the annual report of the Company for the financial year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	6	170,445	132,415
Cost of sales		(98,082)	(81,374)
Gross profit		72,363	51,041
Other income		8,786	6,314
Distribution and selling expenses		(49,243)	(45,874)
Administrative expenses		(27,543)	(25,892)
Share of loss of associates		(3,381)	(7,035)
Gain on disposal of associates		73,691	–
Change in fair value of investment properties		2,664	(7,229)
Impairment of goodwill	18	–	(114,493)
Finance costs	8	(10,751)	(11,216)
Profit (loss) before tax	9	66,586	(154,384)
Income tax expense	12	(1,204)	(4,304)
Profit (loss) for the year attributable to the equity holders		65,382	(158,688)
Earning (loss) per share – Basic	13	4.63 cents	(11.24 cents)

CONSOLIDATED BALANCE SHEET
At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	156,171	164,401
Prepaid lease payments	15	10,067	13,212
Investment properties	16	–	30,334
Intangible assets	17	104	–
Interests in associates	19	–	114,823
Deposits for acquisition of property, plant and equipment and intangible assets		–	100
		166,342	322,870
Current assets			
Inventories	21	21,433	20,677
Trade and other receivables	22	301,770	86,666
Loans to an associate	19	–	38,354
Held-for-trading investments	23	496	–
Pledged bank deposits	24	6,992	–
Bank balances and cash	24	73,247	38,071
		403,938	183,768
Current liabilities			
Trade and other payables	25	60,999	42,462
Tax liabilities		1,071	–
Borrowings	26	134,262	82,725
		196,332	125,187
Net current assets		207,606	58,581
Total assets less current liabilities		373,948	381,451
Capital and reserves			
Share capital	27	70,572	70,572
Reserves		303,376	227,967
Total equity		373,948	298,539
Non-current liability			
Borrowings	26	–	82,912
		373,948	381,451

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital	Share premium	Special reserve	PRC statutory reserve funds	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 29)*	*HK$'000* *(Note 29)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	70,572	497,831	92,926	2,116	3,589	(222,196)	444,838
Exchange differences arising on translation to presentation currency, representing net income recognised directly in equity	–	–	–	–	12,389	–	12,389
Loss for the year	–	–	–	–	–	(158,688)	(158,688)
Total recognised income and expense for the year	–	–	–	–	12,389	(158,688)	(146,299)
Transfers	–	–	–	978	–	(978)	–
At 31 March 2007	70,572	497,831	92,926	3,094	15,978	(381,862)	298,539
At 1 April 2007	70,572	497,831	92,926	3,094	15,978	(381,862)	298,539
Exchange differences arising on translation to presentation currency, representing net income recognised directly in equity	–	–	–	–	19,803	–	19,803
Transfer to profit or loss on disposal of associates	–	–	–	–	(9,776)	–	(9,776)
Profit for the year	–	–	–	–	–	65,382	65,382
Total recognised income and expense for the year	–	–	–	–	10,027	65,382	75,409
Transfers	–	–	–	192	–	(192)	–
At 31 March 2008	70,572	497,831	92,926	3,286	26,005	(316,672)	373,948

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		65,382	(158,688)
Adjustments for:			
Income tax expense		1,204	4,304
Share of loss of associates		3,381	7,035
Impairment of goodwill		–	114,493
Interest income on bank deposits		(1,049)	(1,273)
Interest income on loans to an associate		(2,597)	(3,216)
Interest income on loans receivable		(1,525)	–
Interest expenses		10,751	11,216
Depreciation of property, plant and equipment		19,964	19,696
Amortisation of intangible assets		93	565
Impairment of intangible assets		–	186
Prepaid lease payments		429	409
Gain on disposal of a subsidiary		(791)	–
Gain on disposal of associates		(73,691)	–
Change in fair value of investment properties		(2,664)	7,229
Change in fair value of held-for-trading investments		500	(324)
Loss on disposal of property, plant and equipment		1,052	–
Write-down of unclaimed accounts payable		(1,966)	–
Allowance (reversal of allowance) for bad and doubtful receivables		931	(94)
Operating cash flows before movements in working capital		19,404	1,538
Decrease in inventories		1,264	694
(Increase) decrease in held-for-trading investments		(996)	324
(Increase) decrease in trade and other receivables		(30,131)	14,979
Increase in trade and other payables		34,097	7,281
Cash from operations		23,638	24,816
PRC income tax paid		(201)	(676)
Net cash generated from operating activities		23,437	24,140

	NOTES	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Interest received		5,171	5,717
Purchase of property, plant and equipment		(6,592)	(6,744)
Purchase of intangible assets		(203)	–
Government grants received in respect of purchase of property, plant and equipment		1,600	1,387
Payments for investment properties		–	(36,480)
Proceeds from disposal of investment properties		32,998	–
Payments for land use rights		–	(662)
Proceeds from disposal of property, plant and equipment		253	3
Proceeds from disposal of associates		45,000	–
Net cash outflow on disposal of a subsidiary	30	(77)	–
Loans to an associate		(1,665)	–
Increase in pledged bank deposits		(6,992)	–
Net cash generated from (used in) investing activities		69,493	(36,779)
FINANCING ACTIVITIES			
Interest paid		(10,751)	(11,216)
New bank loans raised		90,644	101,936
Repayment of bank loans		(138,197)	(99,090)
Net cash used in financing activities		(58,304)	(8,370)
Net increase (decrease) in cash and cash equivalents		34,626	(21,009)
Cash and cash equivalents at beginning of the year		38,071	57,796
Effect of foreign exchange rate changes		550	1,284
Cash and cash equivalents at end of the year			
Bank balance and cash		73,247	38,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of its annual report.

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 the manufacture and sales of pharmaceutical products and involve in properties investment in the People's Republic of China (the "PRC").

The functional currency of the Company is Renminbi ("RMB") which is the currency of the primary economic environment in which the group entities operate. For the purpose of presenting the consolidated financial statements, Hong Kong dollar ("HKD") is used as the presentation currency because the Company's shares are listed on the Stock Exchange in Hong Kong.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

Standards and Interpretations effective in current year

In the current year, the Group has applied, for the first time, the following new or revised standard and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions

The adoption of the new HKFRSs had no material effects on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 restrospectively. Certain information presented in prior year under the requirement of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Standards and Interpretations in issue not yet adopted

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arranagements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, minimum Funding Requirements and their Interaction[3]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental receivable under operating leases are recognised and credited to the consolidated income statement on a straight-line basis over the lease form.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent depreciation and any identified impairment loss at the balance sheet date.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives after considering their estimated residual values, using the straight line method, at the following rates per annum:

Buildings	4%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20% – 50%
Motor vehicles	$12^1/_2$% – 30%
Plant and machinery	$6^2/_3$% – 30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land use rights

Interest in leasehold land use rights is accounted for as prepaid lease payment and is amortised over the lease term on a straight-line basis.

Foreign currencies

The financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities with functional currency other than HKD are translated into the presentation currency (i.e. HKD) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets.

Retirement benefit costs

Payments to defined contribution retirement benefit plans (state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme) are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and loans to an associate) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the management has made the following estimation that have the most significant effect in the next financial year on the amounts recognised in the consolidated financial statements:

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The Group's maximum exposure to financial loss due to failure to discharge an obligation by the debtors is the carrying amount of trade and other receivables as stated in the consolidated balance sheet.

Useful lives of property, plant and equipment

Note 3 describes that depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight line method. The estimation of useful lives of the depreciable assets is based on the experience of the Group, and useful lives are reviewed at each balance sheet date based on changes in circumstances.

5. Financial instruments

5A. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new shares issues, as well as the issue of new debt or the redemption of existing debt.

5B. Categories of financial instruments

	2008	**2007**
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	496	–
Loans and receivables (including cash and cash equivalents)	380,900	160,554
Financial liabilities		
Amortised cost	192,207	204,879

5C. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, held-for-trading investments, bank balances and cash, trade and other payables, and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group's operations are mainly in the PRC other than Hong Kong, and the sales and purchases transactions are conducted using RMB, as such the foreign currency risk is minimal. The Group currently has not entered into any contracts to hedge its foreign currency risk. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings *(see note 26 for details)* and loans receivable *(see note 22 for details)*. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings *(see note 26 for details)* and bank deposits *(see note 24 for details)*. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider restructure the Group's credit facilities should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Lending Rates ("RBLR") arising from the Group's RMB denominated borrowings.

Interest rate risk – Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits at the balance sheet date. The analysis is prepared assuming bank balances and the amount of liability outstanding at the balance sheet date were held/outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by HK$163,000 (2007: decrease/increase by HK$346,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings and bank deposits.

Credit risk

As at 31 March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is reduced.

In relation to trade receivables, the Group's concentration of credit risk by geographical locations is primarily in PRC. Other than that, the Group does not have any other significant concentration of credit risk as trade receivables consist of a large number of customers.

For other receivables, credit risk is concentrated in three counterparties in the PRC in relation to interest-bearing loans receivable and amount receivable on disposal of associates as disclosed in note 22.

The credit risk on liquid funds is limited because majority of the counterparties are either banks of high credit quality in Hong Kong or state-owned banks in the PRC.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with the relevant covenants.

Liquidity table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year**	**1-2 years**	**Total undiscounted cash flows**	**Total carrying amount at year end**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Trade and other payables	–	57,945	–	57,945	57,945
Borrowings	7.65	139,749	–	139,749	134,262
		197,694	–	197,694	192,207
2007					
Trade and other payables	–	39,242	–	39,242	39,242
Borrowings	7.34	85,503	92,456	177,959	165,637
		124,745	92,456	217,201	204,879

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on The Stock Exchange of Hong Kong Limited. In addition, the management monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 10% higher/lower, the Group's profit for the year ended 31 March 2008 would increase/decrease by HK$50,000 (2007: nil). This is mainly due to the changes in fair value of held-for-trading investments.

5D. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Revenue

Revenue, which is stated net of value added tax and other sales taxes and returns, represents amounts invoiced to customers for sales of pharmaceutical products during the year.

7. Business and geographical segments

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 for financial years ended 31 March 2007 and 2008, and total assets as of 31 March 2007. Therefore no business segment information is presented.

8. Finance costs

	2008	**2007**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	10,751	11,216

9. Profit (loss) before tax

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging:		
Directors' remuneration *(note 10)*	2,854	2,420
Other staff costs	14,059	10,611
Other staff's retirement benefits scheme contributions	1,597	1,225
	18,510	14,256
Depreciation of property, plant and equipment	19,964	19,696
Amortisation of intangible assets (included in administrative expenses)	93	565
Total depreciation and amortisation	20,057	20,261
Auditors' remuneration	700	600
Prepaid lease payments	429	409
Allowance for bad and doubtful receivables	931	–
Minimum lease payments under operating leases	770	745
Research and development costs	77	130
Cost of inventory recognised as an expense	97,621	81,110
Impairment of intangible assets	–	186
Loss on disposal of property, plant and equipment	1,052	–
Reversal of allowance for bad and doubtful receivables	–	(94)
And after crediting to other income:		
Change in fair value of held-for-trading investments	500	(324)
Gross rental income from investment properties	(544)	(1,456)
Less: direct operating expenses from investment properties that generated rental income during the year	383	412
	(161)	(1,044)
Interest income on bank deposits	(1,049)	(1,273)
Interest income on loans to an associate	(2,597)	(3,216)
Interest income on loans receivable	(1,525)	–
Total interest income on loans and receivables	(5,171)	(4,489)
Gain on disposal of a subsidiary	(791)	–

10. Directors' emoluments

The emolument paid or payable to each of the directors were as follow:

	Directors' fees	Salaries and other benefits	Retirement benefits scheme contributions	Total 2008	Total 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Lin Dong	–	1,716	12	1,728	1,572
Mr. Feng Xiang Cai	–	420	12	432	402
Mr. Yang Jianxin	–	225	7	232	–
Ms. Zhang Cheng	–	–	–	–	–
Independent non-executive directors:					
Mr. Ngai Sau Chung, Howard	133	–	–	133	150
Mr. Lin Ye	171	–	–	171	100
Mr. Zhang Xiufu	–	–	–	–	–
Mr. Jiang Guoan	158	–	–	158	150
Ms. Jin Jane	–	–	–	–	21
Mr. Yin Dakui	–	–	–	–	25
	462	2,361	31	2,854	2,420

11. Employees' emoluments

The aggregate emoluments of the five highest paid individuals for the year included two (2007: two) executive directors of the Company, whose emoluments are included in note 10 above. The aggregate emoluments of the remaining three (2007: three) highest paid individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	1,398	1,269
Retirement benefits scheme contributions	35	34
	1,433	1,303

Their emoluments were all within HK$1,000,000.

12. Income tax expense

	2008 *HK$'000*	2007 *HK$'000*
The PRC enterprise income tax	1,204	–
Over provision of the PRC income tax in prior years	–	(20)
Deferred tax *(note 20)*	–	4,324
	1,204	4,304

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations change the income tax rate from current applicable tax rates to 25% for enterprises in the PRC with effective from 1 January 2008.

The PRC subsidiaries are therefore subject to the PRC Enterprise Income Tax at 33% prior to 1 January 2008 and 25% thereafter. Pursuant to the then relevant laws and regulations in the PRC, the three 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. The first profit-making year of two PRC subsidiaries were the statutory financial year ended 31 December 2002 and 2005 respectively. Another PRC subsidiary will commence its first profit-making year during statutory financial year ending 31 December 2008.

The tax expense for the years are reconciled to the profit (loss) before tax as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) before tax	66,586	(154,384)
Tax at the applicable income tax rate of 33% (2007: 33%)	21,973	(50,947)
Tax effect of share of loss of associates	1,116	2,322
Tax effect of expenses not deductible for tax purposes	3,427	42,129
Tax effect of income not taxable for tax purposes	(24,600)	(462)
Effect of tax holiday of subsidiaries operating in the PRC	(1,661)	(176)
Tax effect of tax losses not recognised	2,749	4,063
Utilisation of tax losses previously not recognised	(4,231)	(477)
Over provision in respect of prior year	–	(20)
Tax effects of other deductible temporary differences not recognised	2,431	7,872
Tax charge for the year	1,204	4,304

13. Earning (loss) per share

The calculation of the basic earning (loss) per share is based on the profit for the year attributable to the equity holders of the Company of approximately HK$65,382,000 (2007: loss of HK$158,688,000) over 1,411,440,590 (2007: 1,411,440,590) ordinary shares of the Company in issue during the year.

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

14. Property, plant and equipment

	Buildings	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 April 2006	80,659	4,261	993	4,200	118,357	910	209,380
Additions	489	1,276	–	509	1,982	1,230	5,486
Disposals	–	(6)	–	–	–	–	(6)
Transfers	627	2	–	–	671	(1,300)	–
Adjustment *(note)*	–	–	–	–	(1,024)	–	(1,024)
Exchange adjustments	3,670	185	–	142	5,388	41	9,426
At 31 March 2007	85,445	5,718	993	4,851	125,374	881	223,262
Additions	257	1,135	–	1,294	510	598	3,794
Disposals	(9,430)	(183)	–	(645)	(61)	–	(10,319)
Disposal of a subsidiary	–	(36)	–	–	–	–	(36)
Transfers	144	–	–	–	–	(144)	–
Adjustment *(note)*	(147)	–	–	–	(411)	(14)	(572)
Exchange adjustments	8,345	533	–	370	12,244	86	21,578
At 31 March 2008	84,614	7,167	993	5,870	137,656	1,407	237,707
ACCUMULATED DEPRECIATION							
At 1 April 2006	7,735	1,276	993	1,311	25,740	–	37,055
Charge for the year	4,774	1,074	–	923	12,925	–	19,696
Eliminated on disposals	–	(3)	–	–	–	–	(3)
Exchange adjustments	472	77	–	64	1,500	–	2,113
At 31 March 2007	12,981	2,424	993	2,298	40,165	–	58,861
Charge for the year	4,395	1,120	–	928	13,521	–	19,964
Eliminated on disposals	(3,369)	(61)	–	(308)	(27)	–	(3,765)
Eliminated on disposal of a subsidiary	–	(7)	–	–	–	–	(7)
Exchange adjustments	1,325	277	–	192	4,689	–	6,483
At 31 March 2008	15,332	3,753	993	3,110	58,348	–	81,536
CARRYING AMOUNTS							
At 31 March 2008	69,282	3,414	–	2,760	79,308	1,407	156,171
At 31 March 2007	72,464	3,294	–	2,553	85,209	881	164,401

Note: During the year, the Group received government grant of HK$572,000 (2007: HK$1,024,000) which was granted as subsidy to purchase certain property, plant and equipment. Accordingly, the government grant has been applied to reduce the cost of the relevant assets.

At the balance sheet date, the Group has pledged certain of its buildings with an aggregate carrying amount of approximately HK$21,055,000 (2007: HK$24,223,000) and plant and machinery amounting to approximately HK$29,085,000 (2007: HK$26,025,000) to certain banks to secure the credit facilities granted to the Group.

15. Prepaid lease payments

The Group's prepaid lease payments comprise:

	2008	**2007**
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong:		
Medium term lease	10,359	13,625
Analysed for reporting purposes as:		
Current portion (included in trade and other receivables)	292	413
Non-current portion	10,067	13,212
	10,359	13,625

The Group has pledged land use rights having a carrying amount of approximately HK$4,972,000 (2007: HK$12,056,000) to secure bank loans granted to the Group.

16. Investment properties

	HK$'000
Fair value:	
At 1 April 2006	–
Additions	36,480
Net decrease in fair value	(7,229)
Exchange adjustments	1,083
At 31 March 2007	30,334
Net increase in fair value	2,664
Disposals	(32,998)
At 31 March 2008	–

During the year, the Group disposed its investment properties for a net consideration of HK$32,998,000.

17. Intangible assets

	Technical know-how
	HK$'000
COST	
At 1 April 2006	1,196
Exchange adjustments	54
At 31 March 2007	1,250
Additions	203
Exchange adjustments	122
At 31 March 2008	1,575
AMORTISATION AND IMPAIRMENT	
At 1 April 2006	460
Charge for the year	565
Impairment loss recognised	186
Exchange adjustments	39
At 31 March 2007	1,250
Charge for the year	93
Exchange adjustments	128
At 31 March 2008	1,471
CARRYING AMOUNTS	
At 31 March 2008	104
At 31 March 2007	–

Technical know-how is amortised on a straight line basis over its estimated useful economic life of five years.

18. Goodwill

	HK$'000
At 1 April 2006	114,493
Impairment loss	(114,493)
At 31 March 2007 and 2008	–

Goodwill acquired in a business combination was allocated, at acquisition, to the cash generating units (CGUs) that were expected to benefit from that business combination.

The recoverable amounts of the CGUs were determined from value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the budget period.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on an estimated growth rate of 6% and discount rate at 8.5%. The growth rate did not exceed the average long term growth rate for the relevant markets. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The changes in selling prices and direct costs were based on past practices and expectation of future changes in the market.

During the year end 31 March 2007, due to the increased competition in the market, the Group had revised its cash flow forecasts for the CGUs. The CGUs had therefore been reduced to their recoverable amount through recognition of an impairment loss of HK$114,493,000 in profit or loss.

19. Interests in associates

	2008	**2007**
	HK$'000	*HK$'000*
Cost of unlisted investments in associates	–	120,000
Share of post acquisition losses	–	(10,310)
Exchange adjustments	–	5,133
	–	114,823
Loans to an associate	–	38,354

At 31 March 2007, the amount represented the Group's 30% equity interest in Skyyield Holdings Limited ("Skyyield"), which in turn owned 100% equity interest in Zhejiang Binjiang Construction Co., Ltd. 浙江濱江建設有限公司 ("Zhejiang Binjiang"). Skyyield is an investment holding company and Zhejiang Binjiang is engaged in property development in the PRC. In December 2007, the Group entered into an agreement (the "Skyyield Agreement") to dispose the Group's 30% equity interest in Skyyield at a total consideration of HK$180,000,000, at which time the Group ceased to have significant influence on Skyyield. The Group received HK$45,000,000 after entering into the Skyyield Agreement during the year.

On 4 July 2008, the Group entered into a supplemental agreement in respect of Skyyield Agreement to extend the last installment payment (HK$135,000,000) date by six months to early January 2009. The acquirer is assessed to be of creditworth with reference to the financial position of the acquirer.

At 31 March 2007, loans to an associate were unsecured and interest bearing at 9% per annum and are due within one year.

Summarised financial information, after fair value adjustment, in respect of the Group's associates is set out below:

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	–	1,212,496
Total liabilities	–	(829,753)
Net assets	–	382,743
Group's share of associates' net assets	–	114,823
Revenue	–	–
Loss for the year	(11,270)	(23,450)
Group's share of associates' loss for the year	(3,381)	(7,035)

20. Deferred tax assets

The following are the major deferred tax assets recognised by the Group and the movements thereon during the current and prior years:

	Allowance for bad and doubtful receivables	**Accrued expenses**	**Accelerated accounting depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	1,117	1,763	1,360	4,240
Charge to consolidated income statement for the year	(1,139)	(1,798)	(1,387)	(4,324)
Exchange adjustments	22	35	27	84
At 31 March 2007 and 2008	–	–	–	–

At the balance sheet date, the Group has unutilised tax losses of HK$53,907,000 (2007: HK$59,548,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in the unutilised tax losses are tax losses attributable to subsidiaries in the PRC of approximately HK$2,157,000 (2007: HK$16,188,000) which will gradually expire until 2011 (2007: until 2011). Other tax losses may be carried forward indefinitely.

At balance sheet date, the Group has deductible temporary differences of HK$8,487,000 (2007: HK$34,953,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. Inventories

	2008	2007
	HK$'000	*HK$'000*
Raw materials	1,927	1,341
Packaging materials and consumables	6,036	3,493
Finished goods	13,470	15,843
	21,433	20,677

22. Trade and other receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	96,186	82,706
Less: accumulated impairment	(8,089)	(6,501)
	88,097	76,205
Bills receivable discounted/endorsed with recourse	5,538	3,628
	93,635	79,833
Amount receivable on disposal of associates *(note 19)*	135,000	–
Loans receivable	63,818	–
Other receivables	9,025	6,420
Prepaid lease payments *(note 15)*	292	413
	301,770	86,666

Loans receivable are unsecured and bear interest at fixed-rate ranging from 10% to 12% per annum and are due within one year.

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 balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	63,109	55,626
91 to 180 days	19,218	15,562
181 to 365 days	8,576	8,645
1 to 2 years	2,732	–
	93,635	79,833

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed periodically. At 31 March 2008, approximately 88% (2007: 89%) of the trade receivables are neither past due nor impaired, and are assessed to be of satisfactory credit quality with reference to the past track records.

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$11,308,000 (2007: HK$8,645,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008	**2007**
	HK$'000	*HK$'000*
181 to 365 days	8,576	8,645
1 to 2 years	2,732	–
	11,308	8,645

Movement in the allowance for doubtful debts

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	6,501	6,705
Impairment losses recognised on trade receivables	931	–
Amounts written off as uncollectible	–	(156)
Impairment losses reversed	–	(94)
Exchange adjustments	657	46
Balance at end of the year	8,089	6,501

Included in the allowance for doubtful debts are all individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	2008	**2007**
	HK$'000	*HK$'000*
1 to 2 years	931	–

Transfer of financial assets

At 31 March 2008, the Group's bills receivable of HK$5,538,000 had been transferred to unrelated suppliers with recourse. As the Group is still exposed to credit risk on these bills receivable, the Group continues to recognise the full carrying amount of the bills receivable and record associated trade payables of HK$5,538,000 in the consolidated balance sheet.

At 31 March 2007, the Group's bills receivable of HK$3,628,000 had been transferred to unrelated suppliers or bank with recourse. The Group continues to recognise the full carrying amount of bills receivable and record associated trade payables and bank borrowings of HK$2,804,000 and HK$824,000 in the consolidated balance sheet respectively.

23. Held-for-trading investments

	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at fair value	496	–

24. Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at market rates which range from 1% to 6% (2007: 1% to 4%) per annum during the year.

Included in the bank balances and cash as at 31 March 2008 were amounts in Renminbi of HK$29,985,000 (2007: HK$5,945,000) which are not freely convertible into other currencies.

At the balance sheet date, bank deposits amounting to HK$6,992,000 (2007: nil) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank loans.

25. Trade and other payables

	2008	**2007**
	HK$'000	*HK$'000*
Trade payables	20,037	23,305
Other payables	40,962	19,157
	60,999	42,462

The following is an aged analysis of trade payables at the balance sheet date:

	2008 *HK$'000*	**2007** *HK$'000*
0 to 90 days	11,931	12,147
91 to 180 days	3,448	3,313
181 to 365 days	889	4,094
Over 365 days	3,769	3,751
	20,037	23,305

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

26. Borrowings

	2008 *HK$'000*	**2007** *HK$'000*
Bank loans		
– secured	78,768	84,934
– unsecured	55,494	79,879
Bills receivable discounted with recourse *(note 22)*	–	824
	134,262	165,637
The loans are repayable as follows:		
Within one year	134,262	82,725
In the second year	–	82,912
	134,262	165,637
Less: Amount due for settlement within 12 months (shown under current liabilities)	(134,262)	(82,725)
Amount due for settlement after 12 months	–	82,912
Bank loans at:		
– floating interest rates	43,285	55,612
– fixed interest rates	90,977	109,201
	134,262	164,813

The carrying amounts of the Group's bank loans are all denominated in RMB, which is the functional currency of the group entities.

The contractual fixed and floating interest rates in respect of bank loans were within the following ranges:

	2008	2007
Bank loans	6.7% – 8.7%	5.5% – 11.6%

27. Share capital

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
At 31 March 2007 and 31 March 2008 ordinary shares of HK$0.05 each	10,000,000,000	500,000
Issued and fully paid:		
At 31 March 2007 and 31 March 2008, ordinary shares of HK$0.05 each	1,411,440,590	70,572

28. Share options

The Company's share options scheme (the "Scheme") adopted on 14 January 2002 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") will expire on 13 January 2012. Under the terms of the Scheme, the board of directors of the Company may for a notional consideration of HK$1 grant options 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 trading day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Company's shares. Options granted under the Scheme must be taken up within 21 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 Scheme (the "Option Period"). Options granted under the Scheme will be exercisable in the Option Period notwithstanding that the scheme period of the Scheme may have expired. The 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 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 31 March 2008 is 141,144,059.

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. Option 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 Person 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.

No options have been granted by the Company under the Scheme since its adoption.

29. Reserves

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 26.

Special reserve

The special reserve of the Group represents the excess of the nominal amount of the shares of the subsidiaries at the date of the group reorganisation over the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

Statutory reserve

As stipulated by the relevant laws and regulations for foreign investment in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being a statutory reserve fund and an enterprise expansion fund (collectively referred to as the "PRC statutory reserve funds"), which are non-distributable. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

30. Disposal of a subsidiary

During the year, the Group disposed its entire equity interest in 北京博瑞企業管理有限公司(Beijing Borui Corporate Management Co., Ltd.) ("Beijing Borui"). The net liabilities of Beijing Borui at the date of disposal are as follows:

	2008
	HK$'000
Property, plant and equipment	29
Receivables	2,011
Bank balances and cash	77
Payables	(2,908)
	(791)
Gain on disposal	791
Consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(77)
	(77)

Beijing Borui did not have any significant impact on the Group's cash flows, revenue and operating results in current and previous years.

31. Operating lease commitments

The Group as lessee

The Group is committed to make the following future minimum lease payments for office property rented under non-cancellable operating leases which fall due as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	1,056	706
In the second year	1,056	–
	2,112	706

A lease is negotiated for 2 years and rentals are fixed throughout the lease term.

32. Capital commitments

At the balance sheet date, the Group had outstanding capital commitments as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	628	175

33. Retirement benefits schemes

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total expense recognised in the consolidated income statement of HK$1,628,000 (2007: HK$1,249,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than those disclosed in note 19, details of transactions between the Group and other related parties are disclosed below.

Transactions

During the year, group entities entered into the following related party transactions:

	2008	**2007**
	HK$'000	*HK$'000*
Interest income on loans to an associate	2,597	3,216

Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Short-term benefits	2,823	2,396
Post employment benefits	31	24
	2,854	2,420

35. Subsidiaries

Details of the Company's subsidiaries, all of which are wholly owned by the Company, at 31 March 2008 are as follows:

Name of subsidiary	**Place of incorporation or establishment/ operation**	**Nominal value of issued and fully paid share/ registered capital**	**Proportion ownership interest held by the Company**	**Principal activity**
China Value Assets Limited *(note a)*	British Virgin Islands	US$1	100%	Investment holding
Merit Development Limited *(note a)*	British Virgin Islands	US$1	100%	Investment holding
Bestime Systems Limited	British Virgin Islands	US$1	100%	Investment holding
Billion Source Investments Limited	British Virgin Islands	US$2	100%	Investment holding
Bright Central Investments Limited	British Virgin Islands	US$20,000	100%	Investment holding
Man Lee Management Limited	Hong Kong	HK$2	100%	Management services
Silver Epoch Investments Limited	British Virgin Islands	US$1	100%	Investment holding

Name of subsidiary	Place of incorporation or establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Proportion ownership interest held by the Company	Principal activity
Value Brilliant Investments Limited	British Virgin Islands	US$30,000	100%	Investment holding
四平巨能藥業有限公司 (Siping Ju Neng Medicine Industry Co., Ltd.) *(Note b)*	PRC	RMB55,350,000	100%	Manufacture and sales of pharmaceutical products
浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) *(Note b)*	PRC	RMB33,333,300	100%	Manufacture and sales of pharmaceutical products
四平亞太藥業有限公司 (Siping Yatai Medicine Industry Co., Ltd.) *(Note b)*	PRC	RMB50,000,000	100%	Manufacture and sales of pharmaceutical products

Notes:

(a) Directly held by the Company.

(b) Wholly foreign owned enterprises established in the PRC.

The Company holds 100% voting power of all subsidiaries listed above. None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

36. Summarised balance sheet information of the company

Summarised balance sheet information of the Company at the balance sheet date includes:

	2008	**2007**
	HK$'000	*HK$'000*
Interests in subsidiaries	147,478	128,415
Accounts receivable	39	39
Amounts due from subsidiaries	151,366	172,709
Bank balances and cash	14	13
	298,897	301,176
Accounts payable	(1,132)	(1,146)
Net assets	297,765	300,030
Share capital *(note 27)*	70,572	70,572
Reserves	227,193	229,458
Total equity	297,765	300,030

Loss of the Company for current year amounted to HK$2,265,000 (2007: HK$267,467,000).

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 March 2009

The Directors
Asia Resources Holdings Limited
Unit 04, 34/F., Bank of America Tower
12 Harcourt Road
Central
HONG KONG

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information regarding Tian Sheng Resources Development Limited ("Tian Sheng") and its subsidiaries (collectively referred to as "Tian Sheng Group"), for the period from 24 August 2007 (date of incorporation) to 31 December 2007 and for the year ended 31 December 2008 (the "Relevant Periods") (the "Financial Information"), for inclusion in the circular of Asia Resources Holdings Limited (the "Company") dated 31 March 2009 (the "Circular") in connection with the conditional acquisition agreement dated 3 December 2008 (the "Acquisition Agreement") and the supplemental agreements to the Acquisition Agreement dated 5 January 2009 and 2 February 2009 respectively (collectively referred to as the "Supplemental Agreements") entered into between the Company, Infinite Nature Limited ("Infinite Nature"), a wholly-owned subsidiary of the Company and Bao Fung Investments Limited ("Bao Fung") pursuant to which Infinite Nature would acquire the entire issued share capital in Tian Sheng at a total consideration of HK$560,000,000 (or initially HK$300,000,000 in the event of the First Reorganisation (as defined below) not being consummated before the completion of the Acquisition (the "Completion"), but Infinite Nature at its sole discretion elects to proceed to Completion) (the "Consideration"), subject to adjustments (collectively referred to as the "Acquisition").

The Consideration shall be satisfied (i) as to not less than HK$70,000,000 and not more than HK$140,000,000 in cash; (ii) as to HK$170,000,000 by the Company's issue to Bao Fung (or such person(s) as nominated by Bao Fung) of the bonds (the "Bonds"); and (iii) as to not less than HK$250,000,000 and not more than HK$320,000,000 by Infinite Nature's issue to Bao Fung (or such person(s) as nominated by Bao Fung) of a promissory note (the "Promissory Note") or, solely at the option of Infinite Nature, by cash payment to Bao Fung (or such person(s) as nominated by Bao Fung).

Tian Sheng is a company incorporated in the British Virgin Islands with limited liability. As at 31 December 2008, Tian Sheng is wholly-owned by Bao Fung and has no major assets or operating business other than its entire equity interest in Cavern Riches LLC ("Cavern Riches"), a company incorporated in Mongolia with limited liability on 5 May 2008, and Khuderbold LLC ("Khuderbold"), a company incorporated in Mongolia with limited liability on 24 April 2008.

Khuderbold and Cavern Riches are principally engaged in conducting mining work for iron and tungsten resources in Mongolia respectively. Khuderbold and Cavern Riches have not yet commenced the mining business since their incorporation.

Pursuant to the Acquisition Agreement, the following reorganizations are procured for implementation, among others, Baruun Mongolyn Metall LLC ("First Reorganisation"):

(a) before the Completion, mineral exploration licence No. 5480X covering 327 hectares of the mine and mineral mining licence No. 3506A covering 29 hectares of the tungsten deposits located in Tsunheg, in the area of North West side of Mongolia in Bayan-Olgii Aimag Nogoon nuur Soum (the "Target Tungsten Mine") (the "Tungsten Exploration Licence" and the "Tungsten Mining Licence") in respect of the resources at the Target Tungsten Mine will become vested in Cavern Riches, free from all encumbrances;

(b) before Completion, the Tungsten Exploration Licence will be transferred to and become vested in a company incorporated or to be incorporated in Mongolia and held by Bao Fung which before Completion will become the registered holder and beneficial owner of the Tungsten Exploration Licence (the "New Excluded Tungsten Company"), while the Tungsten Mining Licence will continue to be held by Cavern Riches; and

(c) the following reorganisation of, among others, Khuderbold ("Second Reorganisation") before Completion, mineral exploration licences No. 10142X and 11880X covering 262 and 219 hectares respectively of the mine constituting the iron deposits located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia (the "Target Iron Mine") which are currently held by the Khuderbold (the "Iron Exploration Licences") will be transferred to and become vested in a company incorporated or to be incorporated in Mongolia and held by Bao Fung, which before Completion will become the registered holder and beneficial owner of the Iron Exploration Licences (the "New Excluded Iron Company"), while the iron mining licence will continue to be held by Khuderbold.

Tian Sheng Group adopts 31 December as its financial year end date. No audited financial statement of Tian Sheng Group have been prepared since its incorporation date.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Tian Sheng based on the financial statement for the Relevant Periods, on the basis as set out in Note 2 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Tian Sheng are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives true and fair views of the state of affairs of Tian Sheng Group as at 31 December 2007 and 31 December 2008, and of the results and cash flows of Tian Sheng Group for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

Material uncertainties relating to the going concern basis of Tian Sheng Group

Without qualifying our opinion, we draw attention to Note 2(a) to the Financial Information which indicates that Tian Sheng Group incurred accumulated losses of HK$799,582 and net liabilities of HK$409,582 as at 31 December 2008. These conditions, along with other matters as set forth in Note 2(a) to the Financial Information, indicate the existence of a material uncertainty which may cast significant doubt about Tian Sheng Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF TIAN SHENG GROUP

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 December 2008 HK$	For the period from 24 August 2007 (date of incorporation) to 31 December 2007 HK$
Turnover	6	–	–
Administrative expenses		(793,732)	(5,850)
Loss from operating activities	7	(793,732)	(5,850)
Taxation	9	–	–
Loss for the year/period attributable to equity holder of Tian Sheng		(793,732)	(5,850)
Loss per share			
Basic and diluted	11	(15.87)	(0.12)

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2008 HK$	As at 31 December 2007 HK$
Non-current asset			
Mining right	12	66,300,000	–
Current assets			
Deposit paid	13	24,180,000	–
Amount due from shareholder	14	–	384,150
Cash balance		217,546	–
		24,397,546	384,150
***Less:* Current liabilities**			
Accruals		46,800	–
Shareholder's loan	15	91,060,328	–
		91,107,128	–
Net current (liabilities)/assets		(66,709,582)	384,150
Total assets less current liabilities		(409,582)	384,150
Net (liabilities)/assets		(409,582)	384,150
Capital and reserves			
Share capital	16	390,000	390,000
Accumulated losses		(799,582)	(5,850)
Equity attributable to equity holder of Tian Sheng		(409,582)	384,150

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holder of Tian Sheng		
	Share capital *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
At 24 August 2007 (date of incorporation)	–	–	–
Issue of shares	390,000	–	390,000
Loss for the period	–	(5,850)	(5,850)
At 31 December 2007 and 1 January 2008	390,000	(5,850)	384,150
Loss for the year	–	(793,732)	(793,732)
At 31 December 2008	390,000	(799,582)	(409,582)

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December 2008 *HK$*	For the period from 24 August 2007 (date of incorporation) to 31 December 2007 *HK$*
Cash flows from operating activities		
Loss before taxation	(793,732)	(5,850)
Increase in deposit paid	(24,180,000)	–
Decrease/(increase) in amount due from shareholder	384,150	(384,150)
Increase in accruals	46,800	–
Increase in shareholder's loan	91,060,328	–
Net cash generated from/(used in) operating activities	66,517,546	(390,000)
Cash flows used in investing activity		
Acquisition of mining right	(66,300,000)	–
Net cash used in investing activity	(66,300,000)	–
Cash flows from financing activity		
Proceeds from issue of shares	–	390,000
Net cash generated from financing activity	–	390,000
Net increase in cash and cash equivalents	217,546	–
Cash and cash equivalents at the beginning of the year/period	–	–
Cash and cash equivalents at the end of the year/period	217,546	–
Analysis of the balances of cash and cash equivalents		
Cash balance	217,546	–

The accompanying notes form an integral part of the Financial Information.

NOTES TO FINANCIAL INFORMATION

1. General information

Tian Sheng is wholly-owned by Bao Fung. Tian Sheng was incorporated in the British Virgin Island (the "B.V.I.") on 24 August 2007 as an exempted company with limited liability. The registered office of Tian Sheng is at OMC Chambers, P.O. Box 3125, Road Town, Tortola, B.V.I..

Tian Sheng is an investment holding company. Its subsidiaries are principally engaged in conducting mining work for iron resources. The Financial Information is presented in Hong Kong Dollars. The functional currency of Tian Sheng is US Dollars.

2. Summary of significant accounting policies

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Reports including in the listing documents of circulars. The policies of Tian Sheng Group are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention accounting except for financial assets and financial liabilities have been carried at fair value.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Tian Sheng Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

Tian Sheng Group is not yet in a position to determine whether these standards, amendments and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Share-Based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owner[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[3]

1 *Effective for annual periods beginning on or after 1 January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July, 2009.*
2 *Effective for annual periods beginning on or after 1 January, 2009.*
3 *Effective for annual periods beginning on or after 1 July, 2009.*
4 *Effective for annual periods beginning on or after 1 July, 2008.*
5 *Effective for annual periods beginning on or after 1 October, 2008.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009.

The directors of Tian Sheng expect that the adoption of the above new standards, amendments and interpretations will not have any significant impact on Tian Sheng's financial statements in the period of initial application.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Financial Information.

(a) Basis of preparation

At 31 December 2008, Tian Sheng Group incurred accumulated losses of HK$799,582 and net liabilities of HK$409,582. Bao Fung, the shareholder of Tian Sheng Group, has confirmed that, it is its intention to provide continuing financial support to Tian Sheng Group, subject to the condition that the relationship between Bao Fung and Tian Sheng Group does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. The directors of Tian Sheng Group believe that Tian Sheng Group will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial information incorporate the financial information of Tian Sheng and entities (including special purpose entities) controlled by Tian Sheng (its subsidiaries). Control is achieved where Tian Sheng has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Information of subsidiaries to bring their accounting policies into line with those used by other members of Tian Sheng Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Tian Sheng Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over Tian Sheng Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, Tian Sheng Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Mining right

Mining right with finite useful lives is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on units of production method based on the proven and probable mineral reserves under the assumption that Tian Sheng Group can renew the mining right continuously till all proven reserves have been mined (see the accounting policy in respect of impairment losses below). At each balance sheet date, Tian Sheng Group reviews the reserve of the mining ore to determine whether there is any indication to adjust the useful lives of the mining right.

Gains or losses arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognized.

(e) Impairment

At each balance sheet date, Tian Sheng Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(f) Foreign currencies

The Financial Information of each group entity is presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the presentation currency for the consolidated financial information.

In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial information, the assets and liabilities of the group entities with functional currency other than Hong Kong Dollar are translated into the presentation currency (i.e. Hong Kong Dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(g) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. Tian Sheng Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in income statement. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income statement.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the asset at the date the impairment is revered does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Tian Sheng Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Tian Sheng Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Tian Sheng Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Tian Sheng Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

(i) Provisions

Provisions are recognised when Tian Sheng Group has a present obligation as a result of a past event, and it is probable that Tian Sheng Group will be required to settle that obligation. Provisions are measured at the best estimate of the director of Tian Sheng of the expenditure required to settle the obligation as at the balance sheet date, and are discounted to present value where the effect is material.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Tian Sheng Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of Tian Sheng Group. Contingent assets are not recognised but are disclosed in the notes to Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Related party transactions

Parties are considered to be related to Tian Sheng Group if:

a. the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Tian Sheng Group; (ii) has an interest in Tian Sheng Group that gives it significant influence over Tian Sheng Group; (iii) has joint control over Tian Sheng Group;

b. the party is an associate;

c. the party is a jointly-controlled entity;

d. the party is a member of the key management personnel of Tian Sheng Group or its parent;

e. the party is a close member of the family of any individual referred to in (a) or (d);

f. the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g. the party is a post-employment benefit plan for the benefit of the employees of Tian Sheng Group, of any entity that is related party of Tian Sheng Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Capital risk management

Tian Sheng Group manages its capital to ensure that entities in Tian Sheng Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Tian Sheng Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Tian Sheng Group consists of debt, which includes cash and equity attributable to equity holder of Tian Sheng Group, comprising issued share capital and accumulated loss.

Gearing ratio

The directors of Tian Sheng review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. The ratio is calculated based on total debt and shareholder's equity.

The gearing ratio at the year end was as follows:

	As at 31 December 2008 *HK$*	**As at 31 December 2007** *HK$*
Total debt (note)	91,060,328	–
Shareholder's equity	(490,582)	384,150
Gearing ratio	N/A	–

Note: Total debt comprise of shareholder's loan incurred by Tian Sheng Group.

4. Financial instruments

(a) Categories of financial instruments

	As at 31 December 2008 *HK$*	As at 31 December 2007 *HK$*
Financial assets		
Loans and receivables (including cash and cash equivalent)	24,397,546	384,150
Financial liabilities		
Amortised cost	91,107,128	–

(b) Financial risk management objectives and policies

Tian Sheng Group's major financial instruments include deposit paid, amount due from shareholder, cash balance, accruals and shareholder's loan. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Market risk

(i) Currency risk

Tian Sheng Group does not have foreign currency operations, which expose Tian Sheng Group to foreign currency risk. All Tian Sheng Group's operations are denominated in US Dollars ("USD").

Tian Sheng Group does not have a foreign currency hedging policy during the Relevant Periods.

(ii) Interest rate risk

Tian Sheng Group does not have significant interest-bearing assets or liabilities. As a result, Tian Sheng Group's results and operating cash flows are substantially independent of changes in market interest rate.

(iii) Price risk

Tian Sheng Group is not exposed to significant price risk. The management monitors the price movements and takes appropriate actions when it is required.

Credit risk

As at 31 December 2008, Tian Sheng Group's maximum exposure to credit risk which will cause a financial loss to Tian Sheng Group due to failure to discharge an obligation by the counterparties in relation to the acquisition of the Tungsten Exploration Licence and Tungsten Mining Licence as detailed in Notes 13 and 18 to the Financial Information.

Liquidity risk

Tian Sheng Group's liquidity risk management includes diversifying the funding sources. Funds raising from accruals and shareholder's loan during the Relevant Periods is the general source of funds to finance the operation of Tian Sheng Group. Tian Sheng Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail Tian Sheng Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which Tian Sheng Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2008

	Weighted average effective interest rate	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	*HK$*	*HK$*	*HK$*
Non-derivate financial liabilities				
Accruals	–	46,800	46,800	46,800
Shareholder's loan	–	91,060,328	91,060,328	91,060,328
		91,107,128	91,107,128	91,107,128

At 31 December 2007, Tian Sheng Group does not have any non-derivate financial liabilities.

(c) Fair value

The fair value of Tian Sheng Group's financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors of Tian Sheng consider that the carrying amount of Tian Sheng Group's financial instruments recorded at amortised cost in the financial statements approximate to their fair values.

5. Key sources of estimation uncertainty

In the process of applying the accounting policies set out in Note 2 to Financial Information, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of assets

Tian Sheng Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amount of an asset is determined based on value-in-use calculations which require the use of assumptions and estimates.

Impairment of mining right

Mining right is amortised using the unit of production method based on the estimated total proved and probable minerals reserves of the ore mines. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors of Tian Sheng Group exercise their judgement in estimating the total proved and probable reserves of the ore mines.

6. Turnover and segment information

Tian Sheng Group did not generate revenue during the Relevant Periods.

As per HKAS 14 "Segment Reporting", no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as Tian Sheng Group only engages in general trading. It is therefore considered not appropriate to disclose segment information.

7. Loss from operating activities

Tian Sheng Group's loss from operating activities is arrived at after charging:

	For the year ended 31 December 2008 *HK$*	**For the period from 24 August 2007 (date of incorporation) to 31 December 2007** *HK$*
Auditors' remuneration	–	–
Directors' remuneration	–	–
Staff Costs	119,048	–
Rental expenses	117,000	–

8. Employee benefits expenses

(a) Directors' remuneration

	For the year ended 31 December 2008 *HK$*	**For the period from 24 August 2007 (date of incorporation) to 31 December 2007** *HK$*
Fee, salaries, allowance and bonus		
Chan Shun Yuen (appointed on 24 August 2007)	–	–
Sun Tak Keung (appointed on 24 August 2007)	–	–

(b) Key management personnel

Remuneration for key management personnel were as follows:

	For the year ended 31 December 2008 *HK$*	**For the period from 24 August 2007 (date of incorporation) to 31 December 2007** *HK$*
Salaries and bonus	49,351	–
Retirement scheme contribution	–	–
Employee share option benefits	–	–
	49,351	–

(c) Employee

Staff costs, excluding the remuneration for key management personnel and directors' remuneration, were as follows:

	For the year ended 31 December 2008 *HK$*	**For the period from 24 August 2007 (date of incorporation) to 31 December 2007** *HK$*
Wages, salaries and bonus	69,697	–
Retirement scheme contribution	–	–
Welfare	–	–
Employee share option benefits	–	–
	69,697	–

(d) Five highest paid individuals

The remuneration paid to the five highest paid individuals of the Tian Sheng Group during the Relevant Periods were as follows:

	For the year ended 31 December 2008 *HK$*	For the period from 24 August 2007 (date of incorporation) to 31 December 2007 *HK$*
Salaries and bonus	49,351	–
Retirement scheme contribution	–	–
Employee share option benefits	–	–
	49,351	–

During the Relevant Periods, no emoluments were paid by the Tian Sheng Group to the directors, or any of the non-director, highest paid individuals as an inducement to join or upon joining the Tian Sheng Group or as compensation for loss of office nor has any director waived or agreed to waive any emoluments.

9. Taxation

No provision for profits tax has been made as Tian Sheng Group does not have any assessable profit subject to taxation during the Relevant Periods.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

10. Dividend

The directors of Tian Sheng do not recommend the payment of any dividend in respect of the Relevant Periods.

11. Loss per share

(a) Basic loss per share

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

	For the year ended 31 December 2008	For the period from 24 August 2007 (date of incorporation) to 31 December 2007
	HK$	*HK$*
Loss for the period attributable to equity holder of Tian Sheng	(793,732)	(5,850)
Number of ordinary shares in issue	50,000	50,000
Basic loss per share	(15.87)	(0.12)

(b) Diluted loss per share

Basic and diluted loss per share has been presented in a single line because there was no diluted events occurred during the Relevant Periods.

12. Mining right

	HK$
Cost	
At 24 August 2007 (date of incorporation), 31 December 2007 and 1 January 2008	–
Additions	66,300,000
At 31 December 2008	66,300,000

The mining right represents the mining right of the iron deposits located in the Target Iron Mine, and is granted for an initial period of 30 years. In the opinion of the directors, Tian Sheng Group will be able to renew the mining right with the relevant government authorities continuously at minimal charges.

The mining right is amortised over 13-20 years using the units of production method based on the proven and probable mineral reserves.

No amortization was provided for the year ended 31 December 2008 as commercial production of the mine has not yet commenced during the period.

As at 31 December 2008, the directors of Tian Sheng have considered the recoverable amount of the Mining Right and considered that no impairment loss was required to be recongised for the mining right.

13. Deposit paid

The deposit paid represents the initial deposits on acquisition of Tungsten Exploration Licence no. 5480X covering 327 hectares of the mine and Tungsten Mining Licence no. 3506A covering 29 hectares of the mine located at North West side of Mongola in Bayan-Olgii Aimag Nogoon nuur Soum.

14. Amount due from shareholder

The amount due from shareholder was unsecured, interest free and recoverable on demand.

	As at 31 December 2008	**As at 31 December 2007**
	HK$	*HK$*
Amount due from Bao Fung	–	384,150
Highest balance during the year/period	384,150	390,000

15. Shareholder's loan

The shareholder's loan was unsecured, interest free and repayable on demand.

16. Share capital

	Number of shares	Share capital *USD*	*HK$*
Authorised:			
Ordinary share at par value	50,000	50,000	390,000
Issued and fully paid:			
As at 24 August 2007, 31 December 2007 and 31 December 2008	50,000	50,000	390,000

Tian Sheng Group was incorporated with an initial authorised share capital of US$50,000 divided into 50,000 ordinary share of US$1 each. The proceeds were used to provide general working capital for Tian Sheng Group.

17. Material related party transaction

In addition to the transactions and balances disclosed in Note 8, 14 and 15 to the Financial Information, there was no other material related party transaction during the Relevant Periods.

During the Relevant Periods, no compensation of any kind was paid to the directors of Tian Sheng who were key management personnel of the Tian Sheng Group.

18. Capital commitment and contingent liabilities

On 8 August 2008, Cavern Riches entered into a sale and purchase agreement to acquire from Baruun Mongolyn Metall LLC the Tungsten Exploration Licence and the Tungsten Mining Licence at a total consideration of HK$80,730,000. Upon the signing of the agreement, HK$24,180,000 was paid in cash as an initial deposit.

19. Subsequent events

No significant events took place subsequent to 31 December 2008.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Tian Sheng Group in respect of any period subsequent to 31 December 2008 and no dividends or other distributions have been declared by Tian Sheng Group in respect of any period subsequent to 31 December 2008.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 March 2009

The Directors
Asia Resources Holdings Limited
Unit 04, 34/F., Bank of America Tower
12 Harcourt Road
Central
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information of Asia Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), Tian Sheng Resources Development Limited ("Tian Sheng") and its subsidiaries, Cavern Riches LCC ("Cavern Riches") and Khuderbold LCC ("Khuderbold") (collectively referred to as "Tian Sheng Group") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 100% issued share capital of Tian Sheng (the "Acquisition") might have affected the financial information presented for inclusion in Appendix III of the circular of the Company dated 31 March 2009 (the "Circular"). The basis of preparation for the Unaudited Pro Forma Financial Information is set out on page 3 to 4 of Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rules 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by paragraph 4.29(7) of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 September 2008 or any future date; or
- the financial results and cash flows of the Enlarged Group for the year ended 31 March 2008 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

1. Introduction

The Unaudited Pro Forma Financial Information of the Enlarged group has been prepared to illustrate the effect of the Acquisition for two scenarios, if the Reorganisation (as defined below) completed on 30 September 2008 for unaudited pro forma consolidated balance sheet and on 1 April 2007 for unaudited pro forma consolidated income statement ("Scenario I") and if the First Reorganisation (as defined below) does not complete on 30 September 2008 for unaudited pro forma consolidated balance sheet and on 1 April 2007 for unaudited pro forma consolidated income statement ("Scenario II")

Pursuant to the Acquisition Agreement, the following reorganizations are procured for implementation, among others, Baruun Mongolyn Metall LLC (the "Existing Tungsten Company") ("First Reorganisation"):

(a) before completion of the Acquisition (the "Completion"), mineral exploration licence No. 5480X covering 327 hectares of the mine and mineral mining licence No. 3506A covering 29 hectares of the tungsten deposits located in Tsunheg, in the area of North West side of Mongolia in Bayan-Olgii Aimag Nogoon nuur Soum (the "Target Tungsten Mine") (the "Tungsten Exploration Licence" and the "Tungsten Mining Licence") in respect of the resources at the Target Tungsten Mine will become vested in Cavern Riches LLC, a company incorporated in Mongolia with limited liability and is a wholly-owned subsidiary of Tian Sheng (the "Cavern Riches"), free from all encumbrances;

(b) before Completion, the Tungsten Exploration Licence will be transferred to and become vested in a company incorporated or to be incorporated in Mongolia and held by Bao Fung Investments Limited, the seller of the Acquisition ("Bao Fung"), which before Completion will become the registered holder and beneficial owner of the Tungsten Exploration Licence (the "New Excluded Tungsten Company"), while the Tungsten Mining Licence will continue to be held by Cavern Riches; and

(c) the following reorganisation of, among others, Khuderbold LLC, a company incorporated in Mongolia with limited liability and is wholly owned by the Tian Sheng ("Khuderbold") ("Second Reorganisation") before Completion, mineral exploration licences No. 10142X and 11880X covering 262 and 219 hectares respectively of the mine constituting the iron deposits located in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia (the "Target Iron Mine") which are currently held by the Khuderbold (the "Iron Exploration Licences") will be transferred to and become vested in a company incorporated or to be incorporated in Mongolia and held by Bao Fung, which before Completion will become the registered holder and beneficial owner of the Iron Exploration Licences (the "New Excluded Iron Company"), while the Iron Mining Licence will continue to be held by Khuderbold.

The Unaudited Pro Forma Financial Information of the Enlarged Group for Scenario I and Scenario II have been prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 30 September 2008 for the consolidated balance sheet and on 1 April 2007 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet of the Enlarged Group for Scenario I and Scenario II are prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 as set out in Appendix I to the Circular, the audited consolidated balance sheet of Tian Sheng Group as at 31 December 2008 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition as if the Acquisition had been completed on 30 September 2008 that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statements and unaudited pro forma consolidated cash flow statements for Scenario I and Scenario II are prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008 as set out in Appendix I to the Circular and audited consolidated income statement of the Tian Sheng Group for the year ended 31 December 2008 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition as if the Acquisition had been completed on 1 April 2007.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group for Scenario I and Scenario II have been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information for Scenario I and Scenario II do not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 30 September 2008 and to describe the actual financial results and cash flows of the Enlarged Group that would have been attained has the Acquisition been completed on 1 April 2007, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Enlarged Group for Scenario I and Scenario II should be read in conjunction with the historical financial information on the Group as set out in Appendix I to the Circular, historical financial information of Tian Sheng Group as set out in Appendix II to the Circular and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group for Scenario I and Scenario II have been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

Scenario I

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition and the Reorganisation have been completed on 30 September 2008. The unaudited pro forma consolidated balance sheet is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 as set out in Appendix I to the Circular and the audited balance sheet of Tian Sheng Group as at 31 December 2008 as set out in Appendix II to the Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Unaudited Consolidated Balance Sheet of the Group as at 30 September 2008	**Audited Consolidated Balance Sheet of Tian Sheng Group as at 31 December 2008**	**Sub–total**		**Pro forma adjustments for the Acquisition**	**Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 September 2008**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non–current assets						
Property, plant and equipment	149,987	–	149,987			149,987
Mining rights	–	66,300	66,300	*2*	493,530	559,830
Prepaid lease payments	10,146	–	10,146			10,146
Intangible assets	86	–	86			86
Deposits for acquisition of property, plant and equipment and intangible assets	1,194	–	1,194			1,194
	161,413	66,300	227,713			721,243
Current assets						
Inventories	22,593	–	22,593			22,593
Trade and other receivables	281,030	24,180	305,210	*3*	(24,180)	281,030
Held–for–trading investments	334	–	334			334
Pledged bank deposits	18,502	–	18,502			18,502
Bank balances and cash	93,515	217	93,732	*1(i)&(iii)*	(390,000)	(296,268)
	415,974	24,397	440,371			26,191
Current liabilities						
Trade and other payables	54,802	47	54,849			54,849
Shareholder's loan	–	91,060	91,060	*4*	(91,060)	–
Tax liabilities	1,095	–	1,095			1,095
Borrowings	144,007	–	144,007			144,007
	199,904	91,107	291,011			199,951
Net current assets/(liabilities)	216,070	(66,710)	149,360			(173,760)
Total assets less current liabilities	377,483	(410)	377,073			547,483

	Unaudited Consolidated Balance Sheet of the Group as at 30 September 2008	Audited Consolidated Balance Sheet of Tian Sheng Group as at 31 December 2008	Sub–total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non–current liabilities						
Convertible bond	–	–	–	*1(ii)*	130,826	130,826
Deferred tax liabilities	–	–	–	*5*	6,464	6,464
	–	–	–			137,290
Net assets/liabilities	377,483	(410)	377,073			410,193
EQUITY						
Capital and reserves						
Share capital	70,572	390	70,962	*6*	(390)	70,572
Reserves	306,911	(800)	306,111	*7*	33,510	339,621
Total equity	377,483	(410)	377,073			410,193

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition and the Reorganisation have been completed on 1 April 2007. The unaudited pro forma consolidated income statement is prepared based on the audited consolidated income statements of the Group for the year ended 31 March 2008 as set out in Appendix I to the Circular and the audited income statements of Tian Sheng Group for the year ended 31 December 2008 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 31 March 2008 *HK$'000*	Audited Consolidated Income Statement of Tian Sheng Group for the year ended 31 December 2008 *HK$'000*	Sub-total *HK$'000*	*Notes*	Pro forma adjustments for the Acquisition *HK$'000*	Unaudited Pro Forma Consolidated Income Statement of of the Enlarged Group for the year ended 31 March 2008 *HK$'000*
Revenue	170,445	–	170,445			170,445
Cost of sales	(98,082)	–	(98,082)			(98,082)
Gross profit	72,363	–	72,363			72,363
Other income	8,786	–	8,786			8,786
Distribution and selling expenses	(49,243)	–	(49,243)			(49,243)
Administrative expenses	(27,543)	(794)	(28,337)			(28,337)
Share of loss of associates	(3,381)	–	(3,381)			(3,381)
Gain on disposal of associates	73,691	–	73,691			73,691
Change in fair value of investment properties	2,664	–	2,664			2,664
Finance cost	(10,751)	–	(10,751)	*8*	(9,279)	(20,030)
Profit/(loss) before taxation	66,586	(794)	65,792			56,513
Income tax expense	(1,204)	–	(1,204)	*9*	1,624	420
Profit/(loss) for the year	65,382	(794)	64,588			56,933
Attributable to:						
Equity holders of the Company	65,382	(794)	64,588			56,933
	HK$	*HK$*				*HK$*
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	4.63 cents	(15.87)		*10*		4.03 cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition and the Reorganisation have been completed on 1 April 2007. The unaudited pro forma consolidated cash flow statement is prepared based on the audited consolidated cash flow statements of the Group for the year ended 31 March 2008 as set out in Appendix I, the audited cash flow statements of Tian Sheng Group for the year ended 31 December 2008 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 March 2008 *HK$'000*	Audited Consolidated Cash Flow Statement of Tian Sheng Group for the year ended 31 December 2008 *HK$'000*	Sub-total *HK$'000*	*Notes*	Pro forma adjustments for the Acquisition *HK$'000*	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 31 March 2008 *HK$'000*
OPERATING ACTIVITIES						
Cash flow from operating activities						
Profit/(loss) for the year	65,382	(794)	64,588	*11*	(7,655)	56,933
Adjustments for:						
Income tax expense	1,204	–	1,204	*9*	(1,624)	(420)
Share of loss of associates	3,381	–	3,381			3,381
Interest income on bank deposits	(1,049)	–	(1,049)			(1,049)
Interest income on loans to an associate	(2,597)	–	(2,597)			(2,597)
Interest income on loans receivable	(1,525)	–	(1,525)			(1,525)
Interest expenses	10,751	–	10,751	*8*	9,279	20,030
Depreciation of property, plant and equipment	19,964	–	19,964			19,964
Amortisation of intangible assets	93	–	93			93
Prepaid lease payments	429	–	429			429
Gain on disposal of a subsidiary	(791)	–	(791)			(791)
Gain on disposal of associates	(73,691)	–	(73,691)			(73,691)
Change in fair value of investment properties	(2,664)	–	(2,664)			(2,664)
Change in fair value of held-for-trading investments	500	–	500			500
Loss on disposal of property, plant and equipment	1,052	–	1,052			1,052
Write-down of unclaimed accounts payable	(1,966)	–	(1,966)			(1,966)
Allowance for bad and doubtful receivables	931	–	931			931
Operating cash flows before movements in working capital	19,404	(794)	18,610			18,610
Decrease in inventories	1,264	–	1,264			1,264
Increase in held-for-trading investments	(996)	–	(996)			(996)
Increase in trade and other receivables	(30,131)	(24,180)	(54,311)	*3*	24,180	(30,131)
Decrease in amount due from shareholder	–	384	384			384
Increase in shareholder's loan	–	91,060	91,060	*4*	(91,060)	–
Increase in trade and other payables	34,097	47	34,144			34,144
Cash generated from operations	23,638	66,517	90,155			23,275
PRC income tax paid	(201)	–	(201)			(201)
Net cash generated from operating activities	23,437	66,517	89,954			23,074

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 March 2008	Audited Consolidated Cash Flow Statement of Tian Sheng Group for the year ended 31 December 2008	Sub-total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES						
Interest received	5,171	–	5,171			5,171
Purchase of property, plant and equipment	(6,592)	–	(6,592)			(6,592)
Purchase of intangible assets	(203)	–	(203)			(203)
Acquisition of mining right	–	(66,300)	(66,300)			(66,300)
Government grants received in respect of property, plant and equipment	1,600	–	1,600			1,600
Proceeds from disposal of Investment properties	32,998	–	32,998			32,998
Proceeds from disposal of property, plant and equipment	253	–	253			253
Proceeds form disposal of associates	45,000	–	45,000			45,000
Net cash outflow on disposal of a subsidiary	(77)	–	(77)			(77)
Loans to an associate	(1,665)	–	(1,665)			(1,665)
Cash payment to acquire subsidiaries	–	–	–	*12*	(323,120)	(323,120)
Net cash generated from/(used in) investing activities	76,485	(66,300)	10,185			(312,935)
FINANCING ACTIVITIES						
Interest paid	(10,751)	–	(10,751)			(10,751)
New bank loan raised	90,644	–	90,644			90,644
Repayment of bank loans	(138,197)	–	(138,197)			(138,197)
Net cash used in financing activities	(58,304)	–	(58,304)			(58,304)
Net increase/(decrease) in cash and cash equivalents	41,618	217	41,835	*1(i)&(iii)*	(390,000)	(348,165)
Cash and cash equivalents at beginning of the year	38,071	–	38,071			38,071
Effect of foreign exchange rate changes	550	–	550			550
Cash and cash equivalents at end of the year	80,239	217	80,456			(309,544)
Analysis of balance of cash and cash equivalents						
Pledged bank deposit	6,992	–	6,992			6,992
Bank balances and cash	73,247	217	73,464	*1(i)&(iii)*	(390,000)	(316,536)
	80,239	217	80,456			(309,544)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

In preparation of the Unaudited Pro Forma Financial Information, it is assumed the Company will acquire the net assets of Tian Sheng Group in substance. Under HKFRS 3 Business Combination, the cost of the Acquisition should be allocated between the individual identifiable assets and liabilities in Tian Sheng Group based on their relevant fair values at the date of acquisition.

The adjustments reflected the following:

1. The consideration for the Acquisition to be satisfied by Infinite Nature Limited ("Infinite Nature") is assumed to be HK$560,000,000. The consideration is to be satisfied by:

	HK$'000
Cash deposit *(Note 1(i))*	70,000
Convertible bond (the "Bond") *(Note 1(ii))*	170,000
Cash consideration/promissory note (the "Promissory Note") *(Note 1(iii))*	320,000
	560,000

(i) The directors of the Company considered the cash deposit is not less than HK$70,000,000 and not more than HK$140,000,000. In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount of cash deposit is HK$70,000,000 and funded by the Company's internal resources.

(ii) In accordance with the Hong Kong Accounting Standards 32 "Financial Instrument; Disclosure and Presentation", the Bond should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group, the amount of HK$170,000,000 has been taken to be the fair value of the Bond as if it was issued upon completion of the Acquisition. The adjustment of approximately HK$130,826,000 represents the liability portion of the Bond based on the calculation of the discounted cash flow method at an effective interest rate of 5.25%. Please refer to Note 7 for the details of the equity portion of the Bond.

(iii) The directors of the Company considered the cash consideration/Promissory Note is not less than HK$250,000,000 and not more than HK$320,000,000. In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount would be HK$320,000,000 and paid in cash.

2. The pro forma adjustment represents the fair value of the interest in the iron mining licence and Tungsten Mining Licence (the "Mining Rights") of approximately HK$493,530,000 as if the Acquisition was completed on 30 September 2008.

The basis of the fair value of the Mining Rights is set out as follows:

	HK$'000
Assumed fair value of the consideration is assumed *(note a)*	560,000
Elimination of net liabilities of Tian Sheng Group as at 31 December 2008	410
Elimination of Sales Debts *(Note 4)*	(91,060)
Elimination of deposit paid in relation to the acquisition of the Tungsten Mining Licence ("Deposit paid")	24,180
	493,530

a. Fair value of the consideration is assumed as follows:

	HK$'000
Fair value of the consideration	
Cash deposit *(Note 1 (i))*	70,000
Bond *(Note 1 (ii))*	170,000
Cash consideration/Promissory Note *(Note 1 (iii))*	320,000
	560,000

3. The pro forma adjustment of approximately HK$24,180,000 represents the elimination of the deposit paid in relation to the tungsten mining licence as if the reorganisation was completed on 30 September 2008.

4. The pro forma adjustment represents the elimination of the carrying amount of the loans outstanding as at the Completion made by or on behalf of Bao Fung to Infinite Nature at the Completion (the "Sales Debts").

Details are set out as follows:

	HK$'000
Shareholder's loan arising from the acquisition of the Tungsten Mining Licence	56,550
Elimination of shareholder's loan for Tian Sheng Group as at 31 December 2008	(91,060)
Elimination of the shareholder's loan arising from the acquisition of the Tungsten Mining Licence	(56,550)
	(91,060)

5. The pro forma adjustment represents deferred tax liabilities arising from the Bond of approximately HK$6,464,000. Please also refer to Note 1(ii) for details of the Bond.

The basis of the deferred tax liabilities is set out as follows:

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 30 September 2008	(130,826)
Temporary difference	39,174
Deferred tax liabilities at a tax rate of 16.5%	6,464

6. The pro forma adjustment of HK$390,000 represents the elimination of share capital of Tian Sheng upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 30 September 2008.

7. The pro forma adjustment of approximately HK$33,510,000 represents the net effect of the elimination of the pre-acquisition reserves and equity component of the Bond as if the Acquisition was completed on 30 September 2008.

Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of Tian Sheng Group	800
Equity component of the Bond, net of deferred tax liability *(see note below)*	32,710
	33,510

Notes:

The basis of the equity component of the Bond is set out as follows:

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 30 September 2008	(130,826)
	39,174
Deferred tax liability arising from issue of the Bond *(Note 5)*	(6,464)
	32,710

8. The pro forma adjustment represents the annual finance cost of the imputed interest expenses of approximately HK$9,279,000 of the Bond to be expensed in the consolidated income statement of the Enlarged Group with the imputed interest rate of 7.75% for the year ended 31 March 2008 representing the rate that exactly discounts estimated future cash payments through the expected life of the Bond. These interest expenses shall have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

9. The pro forma adjustment represents the deferred tax effect of approximately HK$1,624,000 of the Bond for the year ended 31 March 2008.

   The basis of the deferred tax effect of HK$1,624,000 is set out as follows:

	HK$'000
Deferred tax liabilities as at 1 April 2007, at a tax rate of 17.5%	9,532
Less: Deferred tax liabilities as at 31 March 2008, at a tax rate of 17.5%	(7,908)
Deferred tax effect	1,624

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of Bond as at 1 April 2007	(115,532)
Temporary difference as at 1 April 2007	54,468
Deferred tax liabilities as at 1 April 2007, at a tax rate of 17.5%	9,532

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of Bond at 31 March 2008	(124,810)
Temporary difference as at 31 March 2008	45,190
Deferred tax liabilities as at 31 March 2008, at a tax rate of 17.5%	7,908

   The deferred tax income will have the continuing effect in subsequent years.

10. The calculation of unaudited pro forma basic earnings per share is based on the Enlarged Group's pro forma net profit attributable to the equity holder of the Company of approximately HK$56,933,000 divided by the number of ordinary shares of 1,411,440,590 of the Enlarged Group upon the completion of the Acquisition. No adjustment has been made to the pro-forma weighted average number of ordinary shares in calculating the pro forma basis earnings per share because no shares would be issued as consideration as a result of the Acquisition.

    The unaudited pro forma basic and diluted earnings per share of the Enlarged Group are presented in a single line because conversion of the Bond into ordinary shares would decrease the earnings per share and, therefore, an antidutive will be achieved on the earnings per share. As a result, it is considered that there would be no any dilutive event outstanding for the year ended 31 March 2008 as if the Acquisition was completed on 1 April 2007.

11. The pro forma adjustment to the consolidated cash flow statement of approximately HK$7,655,000 represents the recognition of the finance cost of Bond of approximately HK$9,279,000 and the deferred tax effect of approximately HK$1,624,000 for the purpose of adjusting the profit before taxation as if the Acquisition was completed on 1 April 2007.

12. The pro forma adjustment represents the cash payment to acquire the equity interest of Tian Sheng net of the Sales Debts.

    The amount of cash payment is as follow:

	HK$'000
Cash deposit *(Note 1(i))*	70,000
Cash consideration/Promissory Note *(Note 1(iii))*	320,000
Deposit paid for the acquisition of the Tungsten Mining Right	24,180
Sales Debts *(Note 4)*	(91,060)
	323,120

Scenario II

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the First Reorganisation does not consummate and the Acquisition has been completed on 30 September 2008. The unaudited pro forma consolidated balance sheets is based on the unaudited consolidated balance sheets of the Group as at 30 September 2008 as set out in Appendix I to the Circular and the audited balance sheets of Tian Sheng Group as at 31 December 2008 as set out in Appendix II to the Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Unaudited Consolidated Balance Sheet of the Group as at 30 September 2008	Audited Consolidated Balance Sheet of Tian Sheng Group as at 31 December 2008	Sub-total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	149,987	–	149,987			149,987
Exploration and evaluation assets	–	66,300	66,300	*2*	209,350	275,650
Prepaid lease payments	10,146	–	10,146			10,146
Intangible assets	86	–	86			86
Deposits for acquisition of property, plant and equipment and intangible assets	1,194	–	1,194			1,194
	161,413	66,300	227,713			437,063
Current assets						
Inventories	22,593	–	22,593			22,593
Trade and other receivables	281,030	24,180	305,210			305,210
Held-for-trading investments	334	–	334			334
Pledged bank deposits	18,502	–	18,502			18,502
Bank balances and cash	93,515	217	93,732	*1(i)&(iii)*	(130,000)	(36,268)
	415,974	24,397	440,371			310,371
Current liabilities						
Trade and other payables	54,802	47	54,849			54,849
Shareholder's loan	–	91,060	91,060	*3*	(91,060)	–
Tax liabilities	1,095	–	1,095			1,095
Borrowings	144,007	–	144,007			144,007
	199,904	91,107	291,011			199,951
Net current assets/(liabilities)	216,070	(66,710)	149,360			110,420
Total assets less current liabilities	377,483	(410)	377,073			547,483
Non-current liabilities						
Convertible bond	–	–	–	*1(ii)*	130,826	130,826
Deferred tax liabilities	–	–	–	*4*	6,464	6,464
	–	–	–			137,290
Net assets/(liabilities)	377,483	(410)	377,073			410,193
EQUITY						
Capital and reserves						
Share capital	70,572	390	70,962	*5*	(390)	70,572
Reserves	306,911	(800)	306,111	*6*	33,510	339,621
	377,483	(410)	377,073			410,193

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the First Reorganisation does not consummate and the Acquisition has been completed on 1 April 2007. The unaudited pro forma income statement is prepared based on the audited consolidated income statements of the Group for the year ended 31 March 2008 as set out in Appendix I to the Circular and the audited income statements of Tian Sheng Group for the year ended 31 December 2008 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 31 March 2008	Audited Consolidated Income Statement of of Tian Sheng Group for the year ended 31 December 2008	Sub-total	Notes	Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Income Statement of of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Revenue	170,445	–	170,445			170,445
Cost of sales	(98,082)	–	(98,082)			(98,082)
Gross profit	72,363	–	72,363			72,363
Other income	8,786	–	8,786			8,786
Distribution and selling expenses	(49,243)	–	(49,243)			(49,243)
Administrative expenses	(27,543)	(794)	(28,337)			(28,337)
Share of loss of associates	(3,381)	–	(3,381)			(3,381)
Gain on disposal of associates	73,691	–	73,691			73,691
Change in fair value of investment properties	2,664	–	2,664			2,664
Finance cost	(10,751)	–	(10,751)	*7*	(9,279)	(20,030)
Profit/(loss) before taxation	66,586	(794)	65,792			56,513
Income tax expense	(1,204)	–	(1,204)	*8*	1,624	420
Profit/(loss) for the year	65,382	(794)	64,588			56,933
Attributable to:						
Equity holders of the Company	65,382	(794)	64,588			56,933
	HK$	*HK$*				*HK$*
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	4.63 cents	(15.87)		*9*		4.03 cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 April 2007. The audited pro forma cash flow is prepared based on the audited consolidated cash flow statements of the Group for the year ended 31 March 2008 as set out in Appendix I, the audited cash flow statements of Tian Sheng Group for the year ended 31 December 2008 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 March 2008 *HK$'000*	Audited Consolidated Cash Flow Statement of Tian Sheng Group for the year ended 31 December 2008 *HK$'000*	Sub-total *HK$'000*	*Notes*	Pro forma adjustments for the Acquisition *HK$'000*	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 31 March 2008 *HK$'000*
OPERATING ACTIVITIES						
Cash flow from operating activities						
Profit/(loss) for the year	65,382	(794)	64,588	*10*	(7,655)	56,933
Adjustments for:						
Income tax expense	1,204	–	1,204	*8*	(1,624)	(420)
Share of loss of associates	3,381	–	3,381			3,381
Interest income on bank deposits	(1,049)	–	(1,049)			(1,049)
Interest income on loans to an associate	(2,597)	–	(2,597)			(2,597)
Interest income on loan receivables	(1,525)	–	(1,525)			(1,525)
Interest expenses	10,751	–	10,751	*7*	9,279	20,030
Depreciation of property, plant and equipment	19,964	–	19,964			19,964
Amortisation of intangible assets	93	–	93			93
Prepaid lease payments	429	–	429			429
Gain on disposal of a subsidiary	(791)	–	(791)			(791)
Gain on disposal of associate	(73,691)	–	(73,691)			(73,691)
Change in fair value of investment properties	(2,664)	–	(2,664)			(2,664)
Change in fair value of held-for-trading investments	500	–	500			500
Loss on disposal of property, plant and equipment	1,052	–	1,052			1,052
Write-down of unclaimed accounts payable	(1,966)	–	(1,966)			(1,966)
Allowance for bad and doubtful receivables	931	–	931			931
Operating cash flows before movements in working capital	19,404	(794)	18,610			18,610
Decrease in inventories	1,264	–	1,264			1,264
Increase in held-for-trading investments	(996)	–	(996)			(996)
Increase in trade and other receivables	(30,131)	(24,180)	(54,311)			(54,311)
Decrease in amount due from shareholder	–	384	384			384
Increase in shareholder's loan	–	91,060	91,060	*3*	(91,060)	–
Increase in trade and other payables	34,097	47	34,144			34,144

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 March 2008	Audited Consolidated Cash Flow Statement of Tian Sheng Group for the year ended 31 December 2008	Sub-total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Cash generated from/(used in) operations	23,638	66,517	90,155			(905)
PRC income tax paid	(201)	–	(201)			(201)
Net cash generated from/(used in) operating activities	23,437	66,517	89,954			(1,106)
INVESTING ACTIVITIES						
Interest received	5,171	–	5,171			5,171
Purchase of property, plant and equipment	(6,592)	–	(6,592)			(6,592)
Purchase of intangible assets	(203)	–	(203)			(203)
Acquisition of mining right	–	(66,300)	(66,300)			(66,300)
Government grants received in respect of property, plant and equipment	1,600	–	1,600			1,600
Proceeds from disposal of Investment properties	32,998	–	32,998			32,998
Proceeds from disposal of property, plant and equipment	253	–	253			253
Proceeds form disposal of associates	45,000	–	45,000			45,000
Net cash outflow on disposal of a subsidiary	(77)	–	(77)			(77)
Loans to an associate	(1,665)	–	(1,665)			(1,665)
Cash payment to acquire subsidiaries	–	–	–	*11*	(38,940)	(38,940)
Net cash generated from/(used in) investing activities	76,485	(66,300)	10,185			(28,755)
FINANCING ACTIVITIES						
Interest paid	(10,751)	–	(10,751)			(10,751)
New bank loan raised	90,644	–	90,644			90,644
Repayment of bank loans	(138,197)	–	(138,197)			(138,197)
Net cash used in financing activities	(58,304)	–	(58,304)			(58,304)
Net increase/(decrease) in cash and cash equivalents	41,618	217	41,835	*1(i)&(iii)*	(130,000)	(88,165)
Cash and cash equivalents at beginning of the year	38,071	–	38,071			38,071
Effect of foreign exchange rate changes	550	–	550			550
Cash and cash equivalents at end of the year	80,239	217	80,456			(49,544)
Analysis of balance of cash and cash equivalents						
Pledged bank deposit	6,992	–	6,992			6,992
Bank balances and cash	73,247	217	73,464	*1(i)&(iii)*	(130,000)	(56,536)
	80,239	217	80,456			(49,544)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

In preparation of the Unaudited Pro Forma Financial Information, it is assumed the Company will acquire the net assets of Tian Sheng Group in substance. Under HKFRS 3, the cost of the Acquisition should be allocated between the individual identifiable assets and liabilities in Tian Sheng Group based on their relevant fair values at the date of acquisition.

The adjustments reflected the following:

1. The consideration for the Acquisition to be satisfied by Infinite Nature Limited ("Infinite Nature") is initially HK$300,000,000 in the event of the First Reorganisation not being consummated before Completion. The consideration is to be satisfied by:

	HK$'000
Cash deposit *(Note 1(i))*	70,000
Convertible bond (the "Bond") *(Note 1(ii))*	170,000
Cash consideration/promissory note (the "Promissory Note") *(Note 1(iii))*	60,000
	300,000

(i) The directors of the Company considered the cash deposit is not less than HK$70,000,000 and not more than HK$140,000,000. In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount of cash deposit is HK$70,000,000 and funded by the Company's internal resources.

(ii) In accordance with the Hong Kong Accounting Standards 32 "Financial Instrument; Disclosure and Presentation", the Bond should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group, the Bond in the amount of HK$170,000,000 has been taken to be its fair value as if it was issued upon completion of the Acquisition. The adjustment of approximately HK$130,826,000 represents the liability portion of the Bond based on the calculation of the discounted cash flow method at an effective interest rate of 5.25%. Please refer to Note 6 for the details of the equity portion of the Bond.

(iii) In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount would be paid in cash for an amount of HK$60,000,000.

2. The pro forma adjustment represents the fair value of the interest in the iron mining licence of approximately HK$209,350,000 as if the Acquisition was completed on 30 September 2008.

The basis of the fair value of the iron mining licence is set out as follows:

	HK$'000
Assumed fair value of the consideration is assumed *(Note a)*	300,000
Elimination of net liabilities in Tian Sheng Group as at 31 December 2008	410
Elimination of Sales Debts *(Note 3)*	(91,060)
	209,350

a. Fair value of the consideration is assumed as follows:

	HK$'000
Fair value of the consideration	
Cash deposit *(Note 1 (i))*	70,000
Bond *(Note 1 (ii))*	170,000
Cash consideration/Promissory Note *(Note 1 (iii))*	60,000
	300,000

3. The pro forma adjustment represents the elimination of the carrying amount of the Sales Debts.

4. The pro forma adjustment represents deferred tax liabilities arising from the Bond of approximately HK$6,464,000. Please also refer to Note 1(ii) for details of the Bond.

The basis of the deferred tax liabilities is set out as follows:

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 30 September 2008	(130,826)
Temporary difference	39,174
Deferred tax liabilities at a tax rate of 16.5%	6,464

5. The pro forma adjustment of HK$390,000 represents the elimination of share capital of Tian Sheng upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 30 September 2008.

6. The pro forma adjustment of approximately HK$33,510,000 represents the net effect of the elimination of the pre-acquisition reserves and equity component of the Bond as if the Acquisition was completed on 30 September 2008.

   Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of Tian Sheng Group	800
Equity component of the Bond, net of deferred tax liability *(see note below)*	32,710
	33,510

Note:

The basis of the equity component of the Bond is set out as follows:

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 30 September 2008	(130,826)
	39,174
Deferred tax liability arising from issue of the Bond *(Note 4)*	(6,464)
	32,710

7. The pro forma adjustment represents the annual finance cost of the imputed interest expenses of approximately HK$9,279,000 of the Bond to be expensed in the consolidated income statement of the Enlarged Group with the imputed interest rate of 7.75% for the year ended 31 March 2008, representing the rate that exactly discounts estimated future cash payments through the expected life of the Bond. These interest expenses shall have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

8. The pro forma adjustment represents the deferred tax effect of approximately HK$1,624,000 of the Bond for the year ended 31 March 2008.

The basis of the deferred tax effect of HK$1,624,000 is set out as follows:

	HK$'000
Deferred tax liabilities as at 1 April 2007, at a tax rate of 17.5%	9,532
Less: Deferred tax liabilities as at 31 March 2008, at a tax rate of 17.5%	(7,908)
Deferred tax effect	1,624

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 1 April 2007	(115,532)
Temporary difference as at 1 April 2007	54,468
Deferred tax liabilities as at 1 April 2007, at a tax rate of 17.5%	9,532

	HK$'000
Face amount of the Bond	170,000
Less: Carrying amount of the Bond as at 31 March 2008	(124,810)
Temporary difference as at 31 March 2008	45,190
Deferred tax liabilities as at 31 March 2008, at a tax rate of 17.5%	7,908

The deferred tax income will have the continuing effect in subsequent years.

9. The calculation of unaudited pro forma basic earnings per share is based on the Enlarged Group's pro forma net profit attributable to the equity holders of the Company of approximately HK$56,933,000 divided by the number of ordinary shares of 1,411,440,590 of the Enlarged Group upon the completion of the Acquisition. No adjustment has been made to the pro-forma weighted average number of ordinary shares in calculating the pro forma basis earnings per share because no shares would be issued as consideration as a result of the Acquisition.

   The unaudited pro forma basic and diluted earnings per share of the Enlarged Group are presented in a single line because conversion of the Bond into ordinary shares would decrease the earnings per share and, therefore, an antidutive will be achieved on the earnings per share. As a result, it is considered that there would be no any dilutive event outstanding for the year ended 31 March 2008 as if the Acquisition was completed on 1 April 2007.

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$7,655,000 represents the recognition of the finance cost of Bond of approximately HK$9,279,000 and the deferred tax effect of approximately HK$1,624,000 for the purpose of adjusting the profit before taxation as if the Acquisition was completed on 1 April 2007.

11. The pro forma adjustment represents the cash payment to acquire the equity interest of Tian Sheng net of the Sales Debts.

   The amount of cash payment is as follow:

	HK$'000
Cash deposit *(Note 1(i))*	70,000
Cash consideration/Promissory Note *(Note 1(iii))*	60,000
Sales Debts *(Note 3)*	(91,060)
	38,940

1. INDEBTEDNESS STATEMENT

Borrowing

At the close of business on 31 January 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$109,830,000 which comprised secured bank loans of approximately HK$87,154,000 and unsecured bank loans of approximately HK$22,676,000. The secured bank loans were secured by the pledge of the Group's bank deposits of approximately HK$18,481,000 and by the pledge of the Group's non-current assets of approximately HK$51,812,000.

Contingencies

As at 31 January 2009, the Enlarged Group had no significant contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and the capital commitment in relation to the acquisition of property, plant and equipment for the PRC subsidiaries with amounts approximately HK$7,474,000, the Enlarged Group did not have any bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 January 2009.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rate of exchange prevailing as at 31 January 2009.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 January 2009.

2. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, and after taking into account the present internal financial resources and credit facilities available to the Enlarged Group, the Enlarged Group shall, immediately following the completion of the Acquisition, have sufficient working capital for at least 12 months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, they were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2008, the date to which the latest audited consolidated financial statements of the Group were made.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the financial year ended 31 March 2008

Business review

In the year, the Group recorded a turnover of HK$170,445,000 (2007: HK$132,415,000), which represented an increase of about 29% as compared to previous year. The earnings attributable to shareholders for the year amounted to HK$65,382,000 (2007: loss of HK$158,688,000). The increase in turnover and a year-on-year growth of 28% in sales volume were driven mainly by the introduction of new customers and the increment of customer demand.

During the year under review, the moderating price competition in the intravenous fluid market and the effectiveness of the Group's cost control measures contributed to the improvement in gross profit margin to 42% of that financial year from 39% of the previous year. In respect of selling expenses, by allocating considerable resources to market development and brand promotion for years, the Group established a certain extent of penetration and recognition for its brands in the market. In light of this, the sales volume for the year recorded a growth of 28% as compared to previous year while the selling expenses increased less than 8%. The percentage of selling expenses as to revenue declined to 29% of the year from 35% of last year.

For the real estate operation, the Group disposed of its investment properties held for leasing, which is an office premise situated in Beijing, at approximately HK$32,998,000. The disposal contributed a gain (net of relevant expenses) of approximately HK$2,664,000. For the details of the disposal, please refer to the circular dated 19 July 2007 to shareholders.

The share of loss of associates of the Group for the year, which was related to the properties development in the PRC, amounted to approximately HK$3,381,000. In December 2007, the Group disposed of its equity interest in associates at HK$180,000,000. Taking account into the relevant costs, accumulated share of loss and exchange gain, the gain on the disposal was approximately HK$73,691,000. The investment return over the 2-year-period since the acquisition of the associate by the Group in October 2005 was about 50%. The Directors considered that the disposal was in the best interest of the Group. For the details of the disposal, please refer to the circular dated 3 January 2008 to shareholders and the announcement dated 4 July 2008.

Ms. Zhang Cheng resigned as the chairman and an executive director of the Company due to other business engagement which requires more of her dedication. The Board would like to take this opportunity to express its gratitude to Ms. Zhang Cheng for her valuable contribution to the Group during her term of service.

Prospects

In the upcoming year, the Group will purse perfection of the consolidation of its factories, enhancement of quality control and product research and development, expansion of its sales networks as well as exploration of new sales channels, so as to drive up the profitability of its medicines.

For the real estate business, the PRC government has been tightening its macroeconomic adjustment and adopted stringent monetary policies in recent years. The real estate industry in the PRC is in the process of consolidation. This represented good opportunities to the Group that enable the Group to acquire quality lands or real estate developments at reasonable prices, to expand its investments in real estate business and to optimize its assets mix and profitability, which eventually offer shareholders reasonable returns.

Financial resources and liquidity

As at 31 March 2008, the Group had total assets of HK$570,280,000 (2007: HK$506,638,000) which was financed by current liabilities of HK$196,332,000 (2007: current liabilities of HK$125,187,000 and long term liability of HK$82,912,000) and shareholders' equity of HK$373,948,000 (2007: HK$298,539,000).

The Group's current ratio as at 31 March 2008 was approximately 2.06 (2007: 1.47) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 35.9% (2007: 55.5%). The total outstanding borrowings of the Group as at 31 March 2008 were denominated in Renminbi, about 32% borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

As at 31 March 2008, certain buildings with aggregate carrying amount of approximately HK$21,055,000 (2007: HK$24,223,000), plant and machinery amounting to approximately HK$29,085,000 (2007: HK$26,025,000), land use rights amount of HK$4,972,000 (2007: HK$12,056,000), investment properties amount of HK$nil (2007: HK$30,334,000) and bank deposits amount of approximately HK$6,992,000 (2007: nil) had been pledged to secure banking facilities granted to the Group. As at 31 March 2008, the Group had no material capital commitment and contingent liabilities.

Exposure to fluctuation in exchange rates

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year. 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 801 employees in Hong Kong and the PRC as at 31 March 2008. 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 provided medical benefits and sponsored employees in different training and continuous education programs.

For the financial year ended 31 March 2007

Business review

The Group recorded a turnover of HK$132,415,000 for the year (2006: HK$117,954,000), which represented an increase of about 12% as compared to last year. The net loss attributable to shareholders amounted to HK$158,688,000 (2006: HK$182,686,000), which represented a decrease of 13% as compared to last year. The increase in turnover was driven mainly by the increment in customers and market shares. The decrease in loss was primarily attributable to the decrease in the recognition of impairment of goodwill which was 34% less than previous year.

During the period under review, competitions in the intravenous fluid market were still dominated by price, and the Group adjusted the prices of products accordingly so as to enhance competitiveness. However, rising price in raw materials led to increasing production costs which in turn affected gross profit margin. Attribute to the expanded scale of production and increased in market shares, the sales volume increased about 28% as compared to the previous year which in turn leveraged the overall sales value to increase about 12%. However, due to the decrease in the average selling price, the gross profits margin of products reduced from about 43% of previous year to about 39% of that financial year.

During the year, distribution and selling expenses increased about HK$13,641,000, representing an increase of about 42% as compared to the previous year. The increase of distribution and selling expenses was mainly because of increased sales efforts, strengthen market development and marketing terminals. But under the strict control of management, the growth rate of selling expenses are expected to slower than in the next year. Additionally, staff costs increased from corresponding period of the previous year due to additional expenses incurred by the integrated sales and management model.

The commercial/residential project in Hangzhou of Zhejiang Province, developed by an associate of the Group, is still under construction. Its accumulated presale proceeds amounted to approximately RMB375,405,000 as at 31 March 2007. During the year, a series of measures were taken in connection with macro-control on real estate industry to slow down the increase in real estate investment, so property purchasers and investors to take more conservative views, which caused slight slowdown to the sales progress of the properties. During this year, the associate purchased another commercial/residential project with a site area of approximately 10,600 square metres, located alongside the Qiantang River in Hangzhou, which started presales in April 2007 at an average selling price of approximately RMB12,000 per square metre.

During the year, these associates has contributed a loss to the Group of approximately HK$7,035,000 (2006: HK$3,275,000), which primarily consisted of daily operating expenses such as management fees, selling expenses of the property and interest expenses.

During the year, the Group utilized about HK$36,480,000 to purchase the investment properties located in Beijing, the PRC. The purchased investment properties are leased office premises with total floor area of about 1,900 square metres. At the year end, the relevant investment properties were revaluated at approximately HK$30,334,000. The investment properties were sold at a price of about HK$34,041,000 in May 2007, in order to reduce the impacts caused by the uncertainty in the PRC policies on real estate.

Prospects

During the year, the State improved the control over hospital medicine purchase management, medicine price and medicine purchase, which accelerated the reform of medical system and increased the market concentration and transparency. The Group has expanded sales networks and established reputable brands to leverage the healthy development of the intravenous fluid industry, which is directly facilitated by the reform and accelerated consolidation of the industry. After the consolidation period, in light of its extensive experience in the industry and scale of production, plus strict production control, the Group is expected to benefit from the improvement of operating environments.

Additionally, part of the commercial/residential projects located in Hangzhou of Zhejiang Province, developed by an associate of the Group, will be completed in 2008, which will bring about reasonable return to the Group.

Financial resources and liquidity

As at 31 March 2007, the Group had total assets of HK$506,638,000 (2006: HK$634,724,000) which was financed by current liabilities of HK$125,187,000 (2006: HK$105,747,000), long term liability of HK$82,912,000 (2006: HK$84,139,000) and shareholders' equity of HK$298,539,000 (2006: HK$444,838,000).

The Group's current ratio as at 31 March 2007 was approximately 1.47 (2006: 2.02) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 55.5% (2006: 35.0%). The increase of the gearing ratio was mainly due to the loss incurred for the year.

The total outstanding borrowings of the Group as at 31 March 2007 were denominated in Renminbi with fixed interest rates.

As at 31 March 2007, certain property, plant and equipment, with an aggregate net book value of approximately HK$50,249,000 (2006: HK$56,613,000), land use rights amount of HK$12,056,000 (2006: HK$8,521,000) and investment properties amount of HK$30,334,000 (2006: nil), had been pledged to secure banking facilities granted to the Group.

As at 31 March 2007, except for a guarantee to the extent of about HK$16,408,000 to a bank to secure the loan facility granted to its associate, the Group had no other material capital commitment and contingent liabilities.

Exposure to fluctuation in exchange rates

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year. 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 834 employees in Hong Kong and the PRC as at 31 March 2007. 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 provided medical benefits and sponsored employees in different training and continuous education programs.

For the financial year ended 31 March 2006

Business review

The Group recorded a turnover of HK$117,954,000 for the year (2005: HK$124,191,000), which represented a slight decrease of about 5% as compared to the previous year. The net loss attributable to shareholders amounted to HK$182,686,000 (2005: profit of HK$20,389,000). The decrease in turnover and loss-making results are primarily attributable to lower product selling prices and rising raw material costs, in addition to the share of loss from associates acquired during the year and recognition of impairment of goodwill due to the loss in intravenous fluid business.

The operating environment for the 2006 fiscal year was full of challenges. Overall sales volume of the Group increased approximately 19% compared to the previous year, yet turnover and gross profit margin decreased 5% and 13% compared to the previous year respectively. Gross profit margin of the product decreased from approximately 56% in the previous year to 43% that financial year. The loss of the intravenous fluid business this year was primarily a result of keen market competition, and the Group's competitors slashed prices one by one to promote sales. With the objectives of strengthening market share and supporting future business growth, the Group also needed to reduce prices to remain competitive, which led to a downward move of the selling price of the products. The selling prices of some higher gross profit margin products have dropped by more than 50%. Besides the price pressure, the Group took double blow on the increase in the cost of raw material. The cost of raw material increased because the purchase price of plastic, which was the major material for holding intravenous fluids, once went up more than 40% from the corresponding period last year. Plastic was a by-product of oil and since the oil price kept rising over the past two years (the price of US crude oil futures used to rise to as high as USD75 per barrel), the cost of plastic rose significantly, yet the increased costs could not be transferred to customers. In addition, despite stringent control by the Group, selling expenses still increased by approximately 12% over the previous year due to efforts to sustain an increasing sales volume, strengthen product promotion and maintain market share.

Zhejiang Rosi, which was acquired in the previous year, introduced to the Group a new "soft bag" intravenous fluid specification in early 2006. Market potential for soft bag intravenous fluid is positive as it enjoys the merits of avoiding medical fluid contamination, providing broader medical fluid compatibility and prolonged expiry date, and is used by an increasing number of medical institutions. Hence, this new type of intravenous fluid is expected to enhance product competitiveness and diversification. On the other hand, the Group had intended to further increase production capacity and sales volume of plastic bottle intravenous fluid through the acquisition of Siping Yatai, but because of the longer-than-expected time of reviewing the registration procedures for certain products, the capacity of Siping Yatai was affected and didn't fully achieve the economy of scale in production, generating a relatively high unit cost. Currently, Siping Yatai mainly undertakes orders sub-contracted by other plants, which cannot absorb those orders due to saturated production capacity. This company has made no profit contribution to the Group for the moment.

The Group will co-ordinate the production pattern and scale of the three plants and boost the synergy to reduce production cost and administration and taxation expenses, in an attempt to improve the revenue of intravenous fluids. Since the highly competitive selling prices and the rising cost pressure are not expected to alleviate in the near term, the Group will increase its production and sales volumes to make up the loss caused by the reduction in price and gross profit, without increasing the risk of trade receivables.

As disclosed in the annual report for the previous year, the Board has continued to look for suitable investment opportunities to expand the revenue base of the Group. In October 2005, the Group entered into an agreement with an independent third party to acquire a 30% equity interest in a company incorporated in the British Virgin Islands. The acquired company owns a wholly foreign-owned enterprise which engages in property development in China. The wholly foreign-owned enterprise owns a commercial/residential project in Hangzhou of Zhejiang Province. The cash consideration for the acquisition was HK$120,000,000, which was settled upon completion of the agreement. The property site, located alongside the Qiantang River and with a site area of about 18,700 square metres, will create a floor area of about 90,000 square metres and a total of about 1,100 commercial and residential units and approximately 300 parking spaces upon completion. The development is expected to complete in 2007. The property has been put in pre-sale since last year, with the lowest sale price at approximately RMB9,800 per square metre for residential units. As of this year, the cumulative proceeds from the pre-sale were approximately RMB200,000,000. Because the property was still under construction, proceeds from pre-sale could be recognized as income only upon completion in accordance with the new accounting standards in Hong Kong. Therefore, the associate is expected to make profit contribution to the Group in 2007 the soonest. As of this year, this associate has contributed a loss to the Group of approximately HK$3,275,000, which primarily consisted of daily operating expenses such as management fees and selling expenses of the property.

Prospects

After several acquisitions made since 2002, the Group currently has three production plants in the PRC, with total production capacity of about 106,000,000 bottles per year. Such scale of operation enables the Group to secure production advantages and market share and maintain its competitiveness in a market environment with fierce competition and increasing pressure on lowering price. The temporary over-supply in the intravenous fluid market leads to escalating price competition in the pharmaceutical market. Besides, major domestic medical institutions and medicine wholesalers have implemented centralized procurement through tender. All these added to the pressure for price cuts. The Group believes in the forthcoming one or two years, the intravenous fluid industry will still undergo a period of consolidation where weak players are eliminated. After the consolidation period, sales volume of the Group is expected to grow steadily benefited by its rich experience in the industry, scale of operation and distribution network. Moreover, with firm control on production cost and development of new customers, the Group is expected to improve its existing operations.

Furthermore, the Group has continued to look for suitable investment opportunities to expand its revenue base. The commercial/residential project located alongside the Qiantang River developed by the newly acquired associate has made the sale progress expected by the management since commencement of pre-sale in the previous year, thanks to its superior location and fair pricing. The Board of Directors believes the property project can generate reasonable return for the Group when it is completed in 2007.

Financial resources and liquidity

As at 31 March 2006, the Group had total assets of HK$634,724,000 (2005: HK$742,024,000) which was financed by current liabilities of HK$105,747,000 (2005: HK$99,239,000), long term liability of HK$84,139,000 (2005: HK$18,850,000) and shareholders' equity of HK$444,838,000 (2005: HK$623,935,000).

The Group's current ratio as at 31 March 2006 was approximately 2.02 (2005: 3.85) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 35.0% (2005: 14.8%). The increase of the gearing ratio was mainly due to the loss incurred for the year and prior borrowings of the newly-acquired subsidiary. The total outstanding borrowings of the Group as at 31 March 2006 were denominated in Renminbi with fixed interest rate.

As at 31 March 2006, certain property, plant and equipment, with an aggregate net book value of approximately HK$56,613,000 (2005: HK$47,516,000), had been pledged to secure banking facilities granted to the Group.

Expect for the capital commitment of acquisitions of non-current assets amounting to HK$2,307,000, the Group had no other material capital commitment and contingent liabilities as at 31 March 2006.

In June 2006, the Company had provided guarantee to the extent of approximately HK$16,380,000 to a bank to secure the credit facility granted to its associate.

Exposure to fluctuation in exchange rates

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year. 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 760 employees in Hong Kong and the PRC as at 31 March 2006. 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 provided medical benefits and sponsored employees in different training and continuous education programs.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Business review and prospect

As set out in the accountants' report of the Target Group in Appendix II to this circular, the Target Group recorded no turnover for the year ended 31 December 2008 and for the period ended from 24 August 2007 (date of incorporation) to 31 December 2007. For the corresponding periods, the losses attributable to equity holders of the Target Group was approximately HK$0.8 million and HK$0.06 million, respectively.

The Target Group has not commenced the operation of the Target Mine Businesses since the date of incorporation.

Despite the uncertainties arise as a result of the sub-prime mortgage issues lead to the possible slowdown of the world economy, it is believed that PRC government will strike a balance between the maintenance of a strong economy growth without jeopardizing the inflation issue in the country. As tungsten is an important material and the demand remains strong, it is believed that the current price of tungsten can be maintained. Besides, as it is expected that the PRC government will increase infrastructure construction, demand in iron and steel could be maintained.

Financial resources and liquidity

As set out in the accountants' report of the Target Group in Appendix II to this circular, the Target Group had a total asset of approximately HK$90.7 million and HK$0.4 million as at 31 December 2008 and 31 December 2007, respectively. The current liabilities of the Target Group were approximately HK$91.1 million as at 31 December 2008 (2007: Nil).

The Target Group current ratio as at 31 December 2008 was approximately 0.27 (2007: Not applicable) and gearing ratio, representing the total borrowings divided by total assets was approximately 1.005 (2007: Nil).

Pledge of Assets

No Target Group's assets with any carrying value is pledged to secure Target Group's interest-bearing borrowings as at 31 December 2008 and 31 December 2007, respectively.

Exposure to Exchange Rate Fluctuations

Since the date of incorporation, the Target Group has not commenced the operation of the Target Mine Businesses and most of the transactions, monetary assets and liabilities were denominated in US$, The Target Group did not use any derivative financial instruments for hedging purposes.

Employee Information

As at 31 December 2008, the Target Group had 10 employees. Remuneration packages were reviewed on a periodical basis so as to be maintained at a competitive level.

Acquisitions, Disposal and Significant Investments

Other than acquiring the mining rights and exploration rights by the Existing Iron Company, the Target Group had no acquisitions, disposals nor significant investments.

Details of Future Plans for Material Investment or Capital Assets

Other than acquiring the Tungsten Mining Licence, the directors of the Target Group did not have any future plans for material investment or capital assets.

Segmental information

No segment information analysis of the Target Group by business or geographical segments is presented as the Target Group has not commenced the operation of the Target Mine Businesses since the date of incorporation.

Contingent liabilities

The Target Group did not have significant contingent liabilities as at 31 December 2008.

1. VALUATION REPORT ON THE 100% EQUITY INTEREST IN THE MINE OPERATION OF THE EXISTING IRON COMPANY

B.I.
To Know Your Strength Better

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31 March 2009

The Board of Directors
Asia Resources Holdings Limited
Unit 04, 34th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

Re: The 100 per cent. equity interest in the business operation of the 550 hectares mining field in the area of Tumurtei, Khuder Soum, Selenge Aimag, the Republic of Mongolia ("Mongolia")

In accordance with the instructions from Asia Resources Holdings Limited (hereinafter referred to as the "Company") for us to value the 100 per cent. equity interest in the business operation of the 550 hectares mining field in the area of Tumurtei, Khuder Soum, Selenge Aimag, Mongolia (hereinafter referred to as the "Business") of the business enterprise of Khuderbold LLC (hereinafter referred to as the "Business Enterprise"), we confirm that we have conducted inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business as at 31 December 2008 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation and scope of our works, identifies the business valued, describes the basis and methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management of the Company for reference purpose. It is our understanding that our opinion of value and/or valuation report on the Business may subsequently be included in a public circular to be issued by the Company.

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released.

B.I. Appraisals Limited assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

SCOPE OF WORK

This engagement involved an analysis of the Business as of the Date of Valuation. Our valuation report has been prepared based on information provided by the Company, which includes the following documents:

a) A copy of the geological report dated September 2008 prepared by 遼寧省第七地質大隊 (unofficial translation as Liaoning Province No. 7 Geological Brigade) (hereinafter referred to as the "Geological Report");

b) A copy of the feasibility report on the Business dated September 2008 prepared by Liaoning Province No. 7 Geological Brigade (hereinafter referred to as the "Feasibility Report");

c) A copy of Legal Opinion dated 28 November 2008 issued by GTs Advocates LLC on Khuderbold LLC, Minerals Licenses, Share Purchase Agreement and Assignment Agreement (hereinafter referred to as the "Legal Opinion");

d) A copy (with English and Chinese translations) of the Minerals Mining Licence No. 10811A issued by Mineral Resources and Petroleum Authority of Mongolia on 23 January 2007 (hereinafter referred to as the "Mining Licence"); and

e) Financial projections of the proposed iron deposits operation of the Business Enterprise.

In preparing this report, we have had discussions with the representatives of the Company and the management of the Business Enterprise in relation to the development and prospects of the iron ore extracting and processing industries in Mongolia, and the development, operations and other relevant information of the Business Enterprise and the Business.

Our valuation conclusion is based on the assumptions stated herein and on the information, in particular the Geological Report and the financial forecasts provided. The management of the Business Enterprise is responsible for the assumptions upon which the forecasts are based. The assumptions adopted reflect the Business Enterprise's judgment of its ability to develop the Business. The profit projections are based on the view of the management of the Business Enterprise of present circumstances as to both the most likely set of operating and economic conditions and the course of action the Business is most likely to take in the business development. In developing these projections, the management of the Business Enterprise has had due regard to published research data, current industry conditions and relevant transactions which have occurred in the market. The Business Enterprise's profit projections are based on a number of assumptions and are subject to uncertainties and contingencies, many of which are beyond its control. Accordingly, actual results during the projection period may vary from the projections, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated.

As part of our analysis, we have reviewed such financial information, the Geological Report, the Feasibility Report and other pertinent data concerning the Business provided to us and have considered such information and data which are considered to be truth and accurate and reflecting the situation of the subject business, as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the Business will approximate those projections in the business plan because assumptions regarding future events by their nature are not capable of independent substantiation. In applying these projections to the valuation of the market value of the Business, we are making no representation that the Business will be successful, or that market growth and penetration will be realized.

THE BUSINESS ENTERPRISE

Khuderbold LLC (the Business Enterprise), incorporated on 24 April 2008, is organized as a limited liability company under the laws of Mongolia with company certificate no. 9011141124 and having its registered address at Jiguur Grand Office Centre, 2nd knoroo, Sukhbaatar District, Ulaanbaatar, Mongolia. The total authorized equity capital of the Business Enterprise is 114,400,000.00 Mongolian Togrogs (Tg) which consists of 100,000 shares each with par value of Tg1,114.00 and which has been fully paid up or credited as fully paid up. The registered holder of all issued and outstanding shares of the Business Enterprise, according to the state records, is Tian Sheng Resources Development Limited, which is a company incorporated in British Virgin Islands with limited liability.

The Business Enterprise has the corporate power and all requisite and necessary licences, approvals and authority to carry on its business (including without limitation the exploration, exploitation, mining, processing and sales of iron resources) and own its assets and property.

According to the Legal Opinion, the Business Enterprise is the registered holder of the Mineral Mining Licence No. 10811A (the Mining Licence) which permits minerals mining in the mining field of 550 hectares of land located in the area of Tumurtei, Khuder Soum, Selenge Aimag, Mongolia (hereinafter referred to as the "Iron Mine"). We have focused our valuation to the business operation in relation to the Iron Mine.

MONGOLIA – AN OVERVIEW

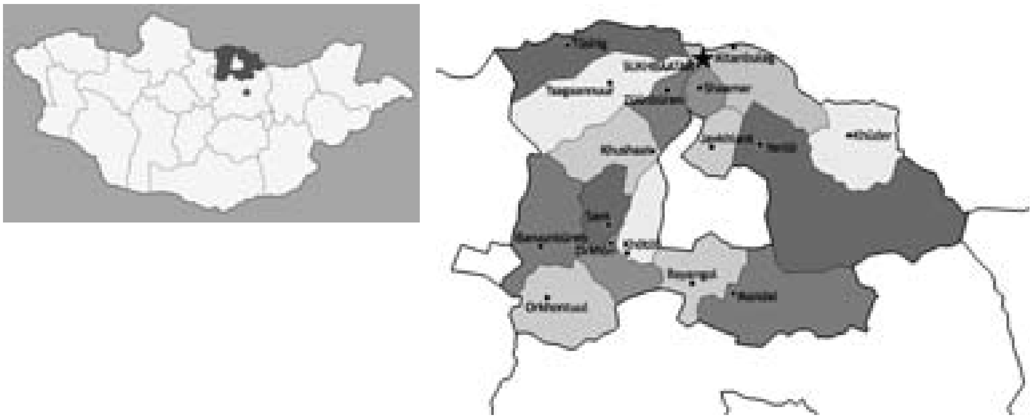
Mongolia is a landlocked country lying in the northern part of the Central Asian plateau between the meridian of 87°44' and 119°56' eastern longitude and in latitudes 52°09' and 41°35' north with a land area of 1,564,116 sq.km. and a population of approximately 2.9 million people, of which 30% is nomadic or semi-nomadic. It borders Russia to the north and People's Republic of China (China) to the south, east and west.

The country is divided into 21 administrative-territorial units – aimag (province). The aimags are subdivided into soum (district), of which there are 306 at present. Ulaanbaatar, the capital and the largest city of Mongolia, is home to about 38% of the population.

Fig 1: Aimags of Mongolia

Selenge Aimag is located in the north of the country. The name is derived from the Selenge River. It is subdivided into 17 soum with Sukhbaatar being the aimag capital. It has a land area of approximately 41,152.63 sq.km. with a total population of about 91,000 *(2007 estimate)* people. *Khuder* is located in the northeastern part of the aimag with a land area of approximately 2,838.65 sq.km. and a population of about 2,000 people.

Fig 2: Location plans of Selenge Aimag and Khuder Soum



Geography and Geology

The geography of Mongolia is varied with the Gobi Desert to the south and with cold and mountainous regions to the north and west. Much of Mongolia consists of steppes. The highest point in Mongolia is the Kuniten Peak in the Tavan Bodg massif in the far west at 4,374 m (14,350 ft). Most of the country is hot in the summer and extremely cold in the winter, with January averages dropping as low as -30°C (-22°F). The country is also subject to occasional harsh climatic conditions known as zud. Mongolia is high, cold, and windy. It has an extreme continental climate with long, cold winters and short summers, during which most of its annual precipitation falls. The country averages 257 cloudless days a year, and it is usually at the centre of a region of high atmospheric pressure. Precipitation is highest in the north (average of 200 to 350 millimeters (mm) per year) and lowest in the south, which receives 100 to 200 mm annually. The extreme south is the Gobi, some regions of which receive no precipitation at all in most years.

The geological structure of Mongolia contains metamorphic, magmatic and sedimentary complexes of all geological ages – from archaic to contemporary. They are dominated by products of different magmatic activities, in particular granite and volcanic outpours. Evidence that volcanoes were active on the territory of the country is provided by the numerous, at times major, Cainozoic belt areas.

Structurally, Mongolia basically comes under the Ural-Mongolian Palaeozoic fold belt, and only a portion of it belongs to the Mediterranean-Central Asiatic branch of Tethys. The principal structural elements are traced in the form of smooth arcs curving southward and joining along major lineaments and regional faults. The surface of the mountain structures usually has Pre-Cambrian and Palaeozoic geographical complexes, characterized to a significant extent by deformations and metamorphic changes. As distinct from this, in intermontane hollows and on a considerable part of the Gobi, Mesozoic and Cainozoic sedimentation cloaks the faulted foundations.

Economy

Mongolia's economy is centred on agriculture and mining. Mongolia has rich mineral resources, and copper, coal, molybdenum, tin, tungsten, and gold account for a large part of industrial production.

The majority of the population outside urban areas participate in subsistence herding; livestock typically consists of sheep, goats, cattle, horses, and Bactrian camels. Agricultural crops include wheat, barley, potato, vegetables, tomato, watermelon, sea-buckthorn and fodder crops. Gross domestic product (GDP) per capita in 2006 was US$2,100.(1) Although GDP has risen steadily since 2002 at the rate of 7.5% in an official 2006 estimate, the state is still working to overcome a sizable trade deficit. A massive (US$11 billion) foreign debt to Russia was settled by the Mongolian government in 2004 with a US$250 million payment. Despite growth, the proportion of the population below the poverty line is estimated to be 35.6% in 1998, 36.1% in 2002–2003, 32.2% in 2006,(2) and both the unemployment rate and inflation rate are relatively high at 3.2% and 6.0%, respectively (in 2006), Mongolia's largest trading partner is China. As of 2006, 68.4% of Mongolia's exports went to China, and China supplied 29.8% of Mongolia's imports.(3)

Industry currently accounts for 21.4% of GDP, approximately equal to the weight of the agriculture sector (20.4%). These industries include construction materials, mining (coal, copper, molybdenum, fluorspar, tin, tungsten, and gold), oil, food and beverages, processing of animal products, and cashmere and natural fiber manufacturing. The industrial production growth rate is estimated to be 4.1% in 2002. Mining is continuing to rise as a major industry of Mongolia as evidenced by number of Chinese, Russian and Canadian firms opening and starting mining business in Mongolia.[1] Domestic food production, especially packaged food production has been increasingly coming up with speed with investments from foreign companies.

References:

(1) CIA World Factbook: Mongolia

(2) Statistical Yearbook of Mongolia 2006, National Statistical Office, Ulaanbaatar, 2007

(3) Morris Rossabi, Beijing's Growing Politico-economic Leverage Over Ulaanbaatar, The Jamestown Foundation, 2005-05-05, (retrieved 2007-05-29)

Infrastructure

Modern transportation began to develop during the People's Republic of Mongolia era helped by the Soviet Union and transportation like the train and airplanes were brought in. The Trans-Siberian Railway crosses through Mongolia and that has been the main infrastructure for transportation of goods between Russia, Mongolia and China for decades. Mongolia has also domestic and international airport throughout the country. The main international airport is the Chinggis Khaan International Airport and direct international flights exist between Russia, China, Japan, Korea, and Germany. The national airline, MIAT, is the largest air carrier in Mongolia that provides domestic services to approximately 20 locations.

The ground transportation system of Mongolia is not well developed, although the central region of the country is relatively well served by both rail and roads. Mongolia has 3,076 km of improved roads, although only 1,303 km are paved. Diesel and trolley buses serve the major cities, and buses and private cars often travel between major towns. Trucks or cars are used to exchange cargo between the countryside and Ulaanbaatar or other towns along the railway system.

The main railway line in Mongolia passes through Ulaanbaatar and connects the Chinese railway system in the south with the Russian Trans-Siberian line in the north, a distance of some 1,400 km. Railway system, run by a Mongolian-Russian joint venture, carries the bulk of Mongolian cargo tonnage.

Utilities and Fuel

Mongolia's main cities are currently supplied with electricity and heat through the four coal-fired power plants of the Central Energy System (CES). The CES has a combined domestic production capacity of 690 MW, with two plants located in Ulaanbaatar, one in Erdenet and one in Darkhan. At peak demand times, additional power is imported from Russia through an overhead power line connection. Power for small cities and towns in outlying provincial areas is provided primarily by diesel powered generators or small coal-fired plants.

The government has announced its intention to privatize almost the entire energy system in the country. Additionally, the government is interested in exploring options for foreign participation in "Build, Operate and Transfer" (BOT) power projects using coal-fired plants, the country's abundant hydroelectric potential, or wind and solar. The government has also announced plans to privatize the water utilities, garbage and building maintenance services of almost all towns in the country, including Ulaanbaatar

Mining

Mongolia has substantial deposits of copper, molybdenum, gold, uranium, lead, zinc, zeolites, rare earths, ferrous metals, fluorspar, phosphate and precious and semi-precious stones. Several major mining operations were developed before 1989 with the assistance of the Soviet Union and the countries of eastern and central Europe. In recent years a number of private mining enterprises have begun operations.

On 1 July 1997, Mongolia enacted a new Minerals Law, ensuring that the country's environment for investment in mineral development would be internationally competitive. The Minerals Law contains strict requirements for the transparent processing of exploration and mining license applications, and guarantees secure tenure and transfer rights for license holders. The enactment of the Minerals Law and growing international recognition of Mongolia's favourable geological environment have combined, in the early years of independence, to spark an influx of both major and junior international mining companies into the country in pursuit of exploration and mine development programmes. The new legal and regulatory regime is very favorable to foreign corporations, providing equal rights to all investors, both foreign and domestic and allowing full foreign ownership of mineral licenses and operations. Besides, there are no restrictions on the repatriation of dividends and profits.

Mineral Resources

In terms of volume and variety of mineral resources, Mongolia ranks among the richest countries, possessing prospected deposits of ferrous, non-ferrous, rare, precious and light metals, as well as rare earth, elements (iron, manganese, chromium, copper, lead, zinc, tin, tungsten, molybdenum, niobium, tantalum, zirconium, gold, silver, aluminum, etc.). There are also numerous deposits of non-metallic minerals and fossil fuels (fluorite, zeolite, phosphorite, piezo-optical raw materials, coal, oil, etc.). The most important minerals in terms of economic value are copper, molybdenum, fluorite, coal, gold and rare elements.

Iron

Deposits and outcrops of iron ores are found mostly in the East Mongolian metallogenic area, less in the North Mongolian area and very little in the South Mongolian area.

The greatest part of these deposits is located in the northern zone of the East Mongolian metallogenic area, forming iron ore zones and regions, most of which merge into iron ore areas and belts. From north to south there are the following significant deposit agglomerations: the Bayangol iron ore zone, the Hangai-Hentii manganese-iron ore area, the Gobi-Herlen iron ore belt and the Delger iron ore zone.

A relatively high concentration of iron ores is found in the western part of the North Mongolian metallogenic area, along the junction of the early and late Caledonian structures of northern Mongolia and the Mongolian Altai (the Tsagaanshivetiin iron ore zone). Manganese mineralization in most cases is closely related to iron outcrops. Thus, the iron ore deposits of the area belong to the following four genetic types: metamorphosed chemogenic-sedimentary, skarn, contact-metasomatic, hydrothermal and sedimentary. Ore deposits are represented mainly by magnetite.

Of all the prospected iron ore outcrops in the Mongolian territory, 5-6 per cent belong to the category of medium size stocks, around 20 per cent are too small for commercial working, and the rest are various types of ore manifestations and mineralization places.

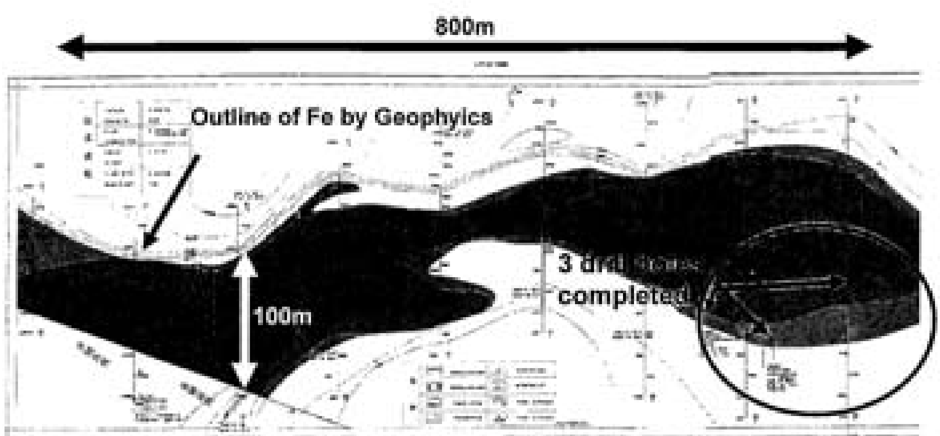
THE IRON MINE

The Iron Mine is located in the Khuder Soum of Selenge Aimag in the northern part of Mongolia between the meridian of 107°13'45" and 107°15'30" eastern longitude and in latitudes 49°41'21" and 49°42'00" north with a land area of 550 hectares. It is situated at about 108 km to the north of Ulaanbaatar and at some 200 km to the southeast of Sukhbaatar, the provincial city of Selenge Aimag within Darkhan-Selengian Economic Zone, where mines of gold, iron, coal and limestone are found.

The locality is dominated by low-lying hills with relative altitude of approximately 200 metres. It has a continental climate with cold winters (from October to March) and hot summers (from April to September). Daily average temperature ranges from 20°C to 25°C with the highest temperature reaching 50°C and the lowest at -34.1°C. Annual precipitation ranges from 270 mm to 435 mm with most of the precipitation falls in June and September.

The Iron Mine is a typical magmatic deposit. The iron ore body, having a lentiform shape with approximately 800 metres long and 100 wide, is found in the eastern of the Iron Mine. The ore minerals are mainly magnetite.

Fig 3: Outline of iron ore body of the Iron Mine by Geophyics



The Mining Licence

Pursuant to a Minerals Mining Licence No. 10811A issued by Mineral Resources and Petroleum Authority of Mongolia dated 23 January 2007, permission for minerals mining in the mining field of 550 hectares located in the area of Tumurtei, Khuder Soum, Selenge Aimag has been granted to I Yan Kuan Ie LLC (State Registration Certificate No. 9019007003) for a period of thirty years in accordance with Article 26 of the Minerals Law of Mongolia.

According to Annex No. 1 of the Mining Licence, the said licence was transferred to Khuderbold LLC (State Registration Certificate No. 9011141124) under GMCO Chairman's decision No. 1005 of 2008. The registration of the transfer of licence was dated 1 July 2008.

Resource Estimation

According to the Geological Report prepared by Liaoning Province No. 7 Geological Brigade, the Iron Mine has raw iron deposits in the estimated quantity of approximately 32,000,000 tons, of which 20,000,000 tons are confirmed.

Based on the samples available from the drill holes made in the Iron Mine, Liaoning Province No. 7 Geological Brigade further opines that the iron ore are of high magnetite content.

The Processing Plant

According to the Feasibility Report, a processing plant has to be established in the Iron Mine. The proposed processing plant is planned to be equipped with a production capacity of 5,000 tons of iron ore per day. The set-up cost for the Iron Mine together with the proposed processing plant is estimated to be approximately US$11.76 million and that the development of the Iron Mine will require approximately twelve months to complete.

MARKET OVERVIEW

There are two main commercial ores of iron – magnetite (Fe_3O_4) and haematite (Fe_3O_3), both being iron oxides. Iron is also recovered from pyrites (FeS_2). Iron ore is mined, processed and smelted chiefly to produce steel in integrated steel plants. Pig iron, for use as iron, is a minor part of production.

The price of iron ore on the spot market has fallen steeply by 60 per cent since the end of July 2008, reflecting mainly on the one hand the slowing demand, as a result of the slowdown in the steel industry and the global financial crisis, and on the other the increased global supply. After adjusting for freight costs, the iron ore price on the spot market is now around 30 per cent below the level of the 2008/09 contract price (Fig. 4). As a result, market analysts have significantly revised down their expectations for next year's contract prices for iron ore, with falls now expected. With global growth expected to remain weak for some time, and supply expected to pick up due to the high level of mining investment over recent years.

Fig. 4: Prices of iron ore fines from 2004 to 2008

The synchronized economic growth of emerging economies has been the main driver of global steel and iron consumption. The unprecedented growth seen in China, India and Russia (three of the most prominent of the emerging markets) has created strong demand for iron ore. Iron ore prices are booming, driven by the global appetite for steel in developing countries. Increased Chinese demand for iron ores and continuous rise of international sea freight pushed up the iron ore price sharply by 86 percent in 2007, and have raised prices fivefold since 2001 to a record, spurring Companhia Vale do Rio Doce , Rio Tinto Group and BHP Billiton Ltd. to expand mines.

World production averages one billion metric tons of raw ore annually. The world's largest producer of iron ore is the Brazilian mining corporation Companhia Vale do Rio Doce, followed by Australian company BHP Billiton Ltd. and the Anglo-Australian Rio Tinto Group. A further Australian supplier, Fortescue Metals Group Ltd, is currently entering the development stage and may eventually bring Australia's production to second in the world.

Over the 2006, the iron ore industry has reportedly seen a 145% price increase, as prices in India rose from USD53 to USD130 per ton year-on-year. Even as mining companies in Australia, the world's biggest iron ore exporter, struggle to churn out higher output, spot prices in Australia have jumped 39%, while Brazil shot up by 71%.

Iron demand is driven by the steel market, in which China currently is the main region. The surging growth in China's steel production has underpinned global demand for iron ore. China's domestic iron ore producers have not been able to meet demand, which has led to China's import of iron ore doubling between 2003 and 2006, increasing by 70 million metric tons from a year ago, and making China the largest importer of iron ore.

China has recorded double-digit growth in steel production for the past seven years – requiring increasing volumes of imported iron ore. China is currently the largest consumer of iron ore and accounts for almost one-half of global imports in 2007, with Europe, Japan and Korea accounting for much of the rest.

Table 1: The Global Market for Iron Ore – 2007
(Top 5 countries; share of total)

Producers		Consumers		Exporters		Importers	
Brazil	20	China	44	Brazil	32	China	46
China	20	Russian Fed	9	Australia	32	Europe	21
Australia	18	Europe	9	India	11	Japan	17
India	13	Japan	8	South Africa	4	Korea	6
Russian Fed	12	Korea	7	Canada	3	Taiwan	2

Sources: *Australian Bureau of Agricultural and Resource Economics (ABARE)*
AME Mineral Economics
Reserve Bank of Australia (RBA)

Much of China's demand for iron ore is sourced from Australia, with China accounting for more than one-half of Australia's exports in 2007.

According to 2007 market report conducted by "Asia Consulting Alliance", in the first three quarters of 2006, China produced 308 million tons of iron ore and recorded 28% growth year-on-year. In view of the whole year of 2006, it produced 588 million tons with an annual growth of 38%.

According to the National Bureau of Statistics of China, up to June 2007, the total production amount of iron ore was 321,286,600 tons with a rise of 29.3% annually. Whilst, the total production amounts of cast iron and steel were 226,815,400 tons and 237,580,600 tons, the percentage growth were 16.8% and 18.9% respectively. China's iron ore demand is expected to remain strong over the near to medium terms as the country continues on its plans for expansion. Demand is also expected to be driven by the imminent massive reconstruction efforts resulting from the snow storms in the Yangzi River region and the Great Sichuan Earthquake occurred in the 1st half of 2008.

According to China's Iron and Steel Association, for the first three quarters of 2007, the onshore price of the iron ore raised 31.95% and 27.06% from January to September year-on-year. Being no doubt, the boosting of steel manufacturing industry (weighted 40% of consumption of steel in all over the world) is the key stimulator of the iron ore price.

Although the price of iron ore on the spot market has fallen steeply since the end of July 2008, slight recovery of iron ore price was witnessed in late 2008. While annual contract price negotiations continue, iron ore stockpiles around the world are being depleted to avoid further oversupply and long-term damage to the market. A cut to the price of iron ore in 2009 would mark the first decrease in seven years. However, experts consider that market fundamentals remain solid in the long term. Infrastructure building, industrialization and urbanization in the emerging markets are the main forces behind the metal cycle. Structural changes associated to long-term economic development will continue to drive demand growth for minerals and metals.

RISK FACTORS

This valuation is based on the assumptions and financial projections provided. While the assumptions and considerations of such matters and projections of future net cash flows have been carefully scrutinized, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Business Enterprise.

The Business is subject to uncertainty and there is no assurance that the business plan for the Business will materialize. In the course of our valuation, we have considered the following potential risks:

- The business operations are extensively impacted by the policies and regulations of the Mongolian Government.

- The continuing success depends on the ability to continue developing iron ore resources.

- The business and results of operations are susceptible to the cyclical nature of iron ore markets and are vulnerable to fluctuations in iron ore prices.

- The business requires significant and continuous capital investment.

- The iron ore resource/reserve data may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on these estimates, may differ materially from actual figures.

- It may not have sufficient insurance coverage against potential operational risks.

- Adverse changes in the economic, political and social conditions as well as governmental policies in Mongolia could have a material adverse effect on the overall economic growth, which could in turn adversely affect the financial condition and results of operations.

- Market risk associated with changes in interest rates, foreign exchange rates and government policies will affect the profitability of the Business Enterprise.

BASIS OF VALUATION AND ASSUMPTIONS

We have valued the Business on the basis of its market value which is defined herein as the estimated amount at which a business entity should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (1st Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (1st Printed 205) published by the Hong Kong Business Valuation Forum, and under generally accepted valuation procedures and practices.

In the course of our valuation, we have adopted certain specific assumptions and the major ones are as follows:

- We have relied on the Geological Report prepared by Liaoning Province No. 7 Geological Brigade and we have no responsibility for the reliability of the advice;
- We have assumed the Business Enterprise has free and uninterrupted rights to use or assign the interests of the Iron Mine for the whole of the unexpired terms as granted and any mining rights premiums/administrative costs payable have already been fully paid;
- The mining right is able to renew from time to time in order to achieve the planned extraction phase;
- The mining area of 550 hectares and the production capacity of 1,500,000 tons per annum is adopted;
- The estimated resource of the Iron Mine, as per information from the Geological Report, is approximately 32 million tons of iron ore;
- The recovery of magnetic iron, per the information from the Feasibility Report, is approximately 90%;
- The price for the iron concentrate with an average grade of 62% is USD88 per ton and in the course of our valuation, we have adopted zero future growth rate for the price throughout the forecasting period;
- We adopted a projection period of 10 fiscal years ending 31 December 2018 based on the business development plan and the financial projections provided to us and our discussion with the Company;
- The Business Enterprise will successfully complete the subsequent expansion program and obtained the expected result by using the mining right as part of its going concern business;
- All required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed on which the valuation contained in our report are based;
- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate), market or economic conditions, the bases or rates of taxation in Mongolia;
- The Business Enterprise will successfully develop the Iron Mine as planned, and is able to mine, to transport and sell the products at market price as projected;
- The Business Enterprise has adequate working capital to implement the scheduled mining operations from time to time;

- The Business Enterprise has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geologic formation structurally deformed and other types of unexpected accident or natural disasters of catastrophes) to the scheduled mining operations;

- There exist reliable and adequate transportation network and capacity for the mining products;

- The Business Enterprise can be freely disposed of and transferred free of all encumbrances for its existing or approved uses in the market to purchasers without payment of any premium to the government;

- All relevant legal approvals and business certificates or licences to operate the Business have been officially obtained and will be renewable upon expiry;

- The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals;

- The financial projections provided will materialize;

- There are no outstanding debts and loans incurred at the Date of Valuation;

- There will be a sufficient supply of technical staff in the industry in which the Business Enterprise operates;

- The Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operation and development;

- There will be no major changes in the current taxation laws in the specific market areas and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the specific market areas, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the specific market areas will not differ materially from those presently prevailing.

INVESTIGATION AND ANALYSIS

We confirm that we have carried out discussions with the management of the Company, made relevant inquiries and obtained such further information, as we consider necessary for the purpose of this valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business provided to us and have assumed their accuracy. We have also consulted other sources of financial and business information.

The valuation of an interest in the Business requires consideration of all pertinent factors, which affect the operation of the Business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- The nature of the Business Enterprise and its history from inception;
- The nature of the Business;
- The financial condition of the Business Enterprise;
- The nature and the characteristics of the mining right such as the historical background and the ground work to develop the mining areas;
- The mining operations and resource/reserve estimation by the technical experts;
- Projections made by the management of the Business Enterprise;
- The nature of the mining right such as the remaining life and its characteristics;
- The capability of the Business Enterprise in exploring the mines and its subsequent operations;
- The economic and industry data affecting the mines and the mineral extraction industry in Mongolia;
- The economic outlook of Mongolia in general and the specific economic environment and market elements in the world that may affect the Business as a whole;
- The financial and business risk of the Business and its projected results; and
- Investment returns and market transactions of entities engaged in similar lines of business.

APPROACHES TO VALUE

In the course of our valuation, we have considered the three generally accepted approaches to assess the value of an asset, namely, the Asset-based Approach, Market Approach and Income Approach. Each of these approaches is appropriate in certain circumstances. The decision as to which approach to utilize generally depends on the approach most commonly adopted in valuing the asset that is similar in nature with the assets in question and the availability of appropriate information. The theory of these approaches is outlined as follows:

1) *The Asset-based Approach* is founded on the principle of substitution, i.e., an asset is worth no more than it would cost to replace all of its constituent parts. It is a means of estimating the value of a business interest using methods based on the market value of individual business assets less liabilities.

   The assumption is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and long term debt).

2) *The Market Approach* is a general way of estimating a value indication of a business interest using one or more methods that compare the subject to similar business or business ownership interest that changed hands in arm's-length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

   This approach involves the collection of market data pertaining to the business interest being valued. The primary intent of the Market Approach is to determine the desirability of the business interest through recent sales of similar businesses currently on the market in order to arrive at an indication of the most probable selling price for the business being valued. If the comparable sales are not exactly similar to the business being valued, adjustments may need to be made to render the similar businesses and the subject business more comparable.

3) *The Income Approach*, also known as Income Capitalization Approach, is a general way of estimating a value indication of a business interest using one or more methods wherein a value is estimated by converting anticipated benefits into capital value. It focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity.

In any valuation study, all three approaches to value must be considered, as one or more approaches may be applicable to value the Business.

VALUATION METHODOLOGY

Given the nature of the Business and the information available, we considered the Income Approach to be the most appropriate approach and adopted the Yield Capitalization Method, also known as the Discounted Cash Flow Analysis. By virtue of this method, value depends on the present worth of future economic benefits derived from ownership of the shareholders' equity. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' loans and interest, and in some cases, repayment of registered capital plus interest, dividends to their present worth at market-derived rates of return which in our opinion is appropriate to reflect the risk and hazard of the business.

When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity was developed by using Capital Asset Pricing Model ("CAPM"). CAPM states that an investor requires excess returns to compensate systemic risks and provide no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systemic; other risks are referred to as non-systematic. Under CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risks assumed. The rate of return of the Business is also affected by other firm specific risk factors that are independent of the general market.

In developing the discount rate for the Business, several listed companies in Hong Kong with similar business nature were selected as comparable companies, which include Zhaojin Mining Industry Co Ltd (01818), Zijin Mining Group Co Ltd. (02899) and Lingbao Gold Co Ltd. (03330).

The discount rate of approximately 20.12% adopted was determined by the risk-free rate of approximately (1.14%) (the yield of the Hong Kong's 15-year Exchange Fund Notes), equity risk premium of approximately (11.98%) and estimated beta of the Business of approximately (0.71) and firm specific risk factors including the start-up risk premium (5%) and size premium (3.65%).

VALUATION COMMENTS

We have not investigated any industrial safety environmental and health-related regulations in association with this particular production process. It is assumed that all-necessary licenses, procedures, and measures were implemented in accordance with the Government legislation and guidance.

We have been provided with copies of the Minerals Mining Licence relating to the Iron Mine and legal opinion on its ownership. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Iron Mine that is assumed to be good and marketable. Unless otherwise stated, it is assumed that it is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. It is further assumed that there are no hidden or unapparent conditions of the Iron Mine, which would render the Business more or less valuable.

LIMITING CONDITIONS

This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided in arriving at our opinion of value. We assume, without independent verification, the accuracy of all information provided to us. We have had no reason to doubt the truth and accuracy of the information furnished to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We would particularly point out that our valuation has relied heavily on the information as contained in the information provided to us.

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the sole use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any part of its contents.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this valuation report are in US Dollar (US$). Where necessary, the exchange rate adopted in our valuation was US$1=Tg1,144.37, which was approximately the prevailing exchange rate as at the Date of Valuation.

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that the market value of the 100 per cent. equity interest in the Business as at 31 December 2008, was reasonably represented by the amount of **USD$39,000,000 (US DOLLARS THIRTY-NINE MILLION ONLY)**.

We hereby confirm that we have neither present nor prospective interest in the Company, the Business Enterprise, the Business, the Iron Mine or the value reported herein.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
Registered Business Valuer
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham has been conducting asset valuations and consultancy works in the Greater China and the Asia Pacific regions for various purposes for more than 25 years. He has undertaken various valuation assignments on business enterprises and intangible assets since 1998 and has extensive experience in the valuation of patent and proprietary technology; infrastructure project including power plants, toll roads, port facilities; and business enterprises in various industries such as information technology, health products, pharmaceutical and biotechnology, media, energy, etc.

2. VALUATION REPORT ON THE 100% EQUITY INTEREST IN THE MINE OPERATION OF THE FIRST MONGOLIA COMPANY

B.I.
To Know Your Strength Better

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31 March 2009

The Board of Directors
Asia Resources Holdings Limited
Unit 04, 34th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

Re: The 100 per cent. equity interest in the business operation of the 29 hectares mining field in the area of Tsunheg, Nogoonnuur Soum, Bayan-Olgii Aimag, the Republic of Mongolia ("Mongolia")

In accordance with the instructions from Asia Resources Holdings Limited (hereinafter referred to as the "Company") for us to value the 100 per cent. equity interest in the business operation of the 29 hectares mining field in the area of Tsunheg, Nogoonnuur Soum, Bayan-Olgii Aimag, Mongolia (hereinafter referred to as the "Business") of the business enterprise of Baruun Mongolyn Metall LLC (hereinafter referred to as the "Business Enterprise"), we confirm that we have conducted inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business as at 31 December 2008 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation and scope of our works, identifies the business valued, describes the basis and methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management of the Company for reference purpose. It is our understanding that our opinion of value and/or valuation report on the Business may subsequently be included in a public circular to be issued by the Company.

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released.

B.I. Appraisals Limited assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

SCOPE OF WORK

This engagement involved an analysis of the Business as of the Date of Valuation. Our valuation report has been prepared based on information provided by the Company, which includes the following documents:

a) A copy of the geological report dated September 2008 prepared by 遼寧省第七地質大隊 (unofficial translation as Liaoning Province No. 7 Geological Brigade) (hereinafter referred to as the "Geological Report");

b) A copy of the feasibility report on the Business dated September 2008 prepared by Liaoning Province No. 7 Geological Brigade (hereinafter referred to as the "Feasibility Report");

c) A copy of Legal Opinion issued by Cognitorius Consulting LLC regarding to Baruun Mongolyn Metall LLC, Cavern Riches LLC and Minerals Mining Licence No. 3506A (hereinafter referred to as the "Legal Opinion");

d) A copy (with Chinese translation) of the Minerals Mining Licence No. 3506A issued by Mineral Resources and Petroleum Authority of Mongolia on 29 January 2007 (hereinafter referred to as the "Mining Licence");

e) A copy (with Chinese translation) of a letter regarding acceptance and registration of the tungsten ore resource in the mining field of Tsunheg dated 29 June 2006 issued by Mineral Resources and Petroleum Authority of Mongolia; and

f) Financial projections of the proposed tungsten deposits operation of the Business Enterprise.

In preparing this report, we have had discussions with the representatives of the Company and the management of the Business Enterprise in relation to the development and prospects of the tungsten ore extracting and processing industries in Mongolia, and the development, operations and other relevant information of the Business Enterprise and the Business.

Our valuation conclusion is based on the assumptions stated herein and on the information, in particular the Geological Report and the financial forecasts provided. The management of the Business Enterprise is responsible for the assumptions upon which the forecasts are based. The assumptions adopted reflect the Business Enterprise's judgment of its ability to develop the Business. The profit projections are based on the view of the management of the Business Enterprise of present circumstances as to both the most likely set of operating and economic conditions and the course of action the Business is most likely to take in the business development. In developing these projections, the management of the Business Enterprise has had due regard to published research data, current industry conditions and relevant transactions which have occurred in the market. The Business Enterprise's profit projections are based on a number of assumptions and are subject to uncertainties and contingencies, many of which are beyond its control. Accordingly, actual results during the projection period may vary from the projections, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated.

As part of our analysis, we have reviewed such financial information, the Geological Report, the Feasibility Report and other pertinent data concerning the Business provided to us and have considered such information and data which are considered to be truth and accurate and reflecting the situation of the subject business, as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the Business will approximate those projections in the business plan because assumptions regarding future events by their nature are not capable of independent substantiation. In applying these projections to the valuation of the market value of the Business, we are making no representation that the Business will be successful, or that market growth and penetration will be realized.

THE BUSINESS ENTERPRISE

Baruun Mongolyn Metall LLC (the Business Enterprise), incorporated on 20 February 2001, is a Mongolian limited liability company duly established and existing according to the laws of under the laws and regulations of Mongolia with company certificate no. 9019008138 and registration no. 262654, whose place of official address at Apt. 1, Building 1, Chinggis Avenue, Knoroo, Khan-Uul District, Mongolia. The company registration certificate of the Business Enterprise was renewed on 9 August 2006. The registered shareholder of the Business Enterprise are Mr. Jamsran Jasrai (citizen of Mongolia), Mr. Amitan Namilan (citizen of Mongolia) and Ms. Lucy Gao (citizen of the USA), each holding 33.3%.

The Business Enterprise has the corporate power and all requisite and necessary licences, approvals and authority to carry on its business (including without limitation the exploration, exploitation, mining, processing and sales of tungsten resources) and own its assets and property.

According to the Legal Opinion, the Business Enterprise is the registered holder of the Mineral Mining Licence No. 3506A (the Mining Licence) which permits minerals mining in the mining field of 29 hectares of land located in the area of Tsunheg, Nogoonnuur Soum, Bayan-Olgii Aimag, Mongolia (hereinafter referred to as the "Tungsten Mine"). We have focused our valuation to the business operation in relation to the Tungsten Mine.

MONGOLIA – AN OVERVIEW

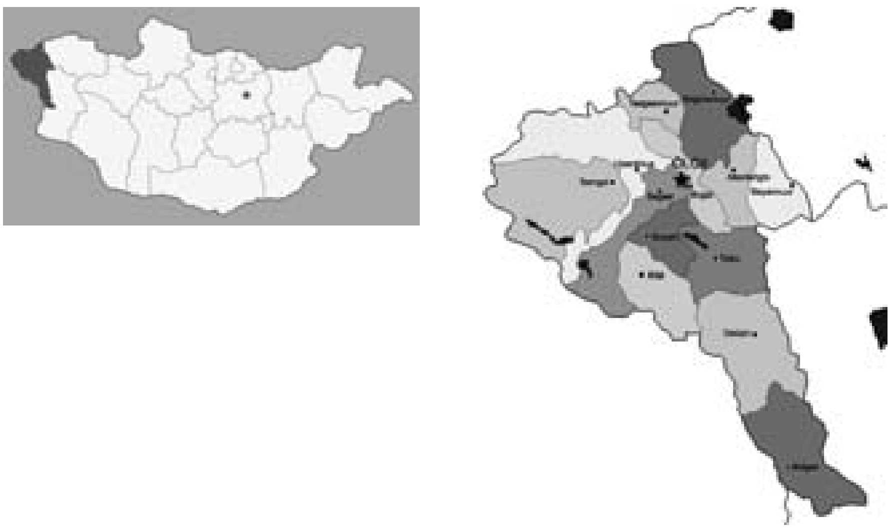
Mongolia is a landlocked country lying in the northern part of the Central Asian plateau between the meridian of 87°44’ and 119°56’ eastern longitude and in latitudes 52°09’ and 41°35’ north with a land area of 1,564,116 sq.km. and a population of approximately 2.9 million people, of which 30% is nomadic or semi-nomadic. It borders Russia to the north and People’s Republic of China (China) to the south, east and west.

The country is divided into 21 administrative-territorial units – aimag (province). The aimags are subdivided into soum (district), of which there are 306 at present. Ulaanbaatar, the capital and the largest city of Mongolia, is home to about 38% of the population.

Fig 1: Aimags of Mongolia

Bayan-Olgii Aimag (alternately spelled Olgiy, Ulgii, etc.) is located in the extreme west of the country, and shares borders with both Russia and China. It is subdivided into 14 soum with Olgii being the aimag capital. It has a land area of approximately 45,700 sq.km. with a total population of about 93,900 *(2008 estimate)* people. *Nogoonnuur*, primarily inhabited by ethnic Kazakhs, is located in the northwestern part of the aimag with a population of about 6,566 people.

Fig 2: Location plans of Bayan-Olgii Aimag and Nogoonnuur Soum



Geography and Geology

The geography of Mongolia is varied with the Gobi Desert to the south and with cold and mountainous regions to the north and west. Much of Mongolia consists of steppes. The highest point in Mongolia is the Kuniten Peak in the Tavan Bodg massif in the far west at 4,374 m (14,350 ft). Most of the country is hot in the summer and extremely cold in the winter, with January averages dropping as low as -30°C (-22°F). The country is also subject to occasional harsh climatic conditions known as zud. Mongolia is high, cold, and windy. It has an extreme continental climate with long, cold winters and short summers, during which most of its annual precipitation falls. The country averages 257 cloudless days a year, and it is usually at the centre of a region of high atmospheric pressure. Precipitation is highest in the north (average of 200 to 350 millimeters (mm) per year) and lowest in the south, which receives 100 to 200 mm annually. The extreme south is the Gobi, some regions of which receive no precipitation at all in most years.

The geological structure of Mongolia contains metamorphic, magmatic and sedimentary complexes of all geological ages – from archaic to contemporary. They are dominated by products of different magmatic activities, in particular granite and volcanic outpours. Evidence that volcanoes were active on the territory of the country is provided by the numerous, at times major, Cainozoic belt areas.

Structurally, Mongolia basically comes under the Ural-Mongolian Palaeozoic fold belt, and only a portion of it belongs to the Mediterranean-Central Asiatic branch of Tethys. The principal structural elements are traced in the form of smooth arcs curving southward and joining along major lineaments and regional faults. The surface of the mountain structures usually has Pre-Cambrian and Palaeozoic geographical complexes, characterized to a significant extent by deformations and metamorphic changes. As distinct from this, in intermontane hollows and on a considerable part of the Gobi, Mesozoic and Cainozoic sedimentation cloaks the faulted foundations.

Economy

Mongolia's economy is centred on agriculture and mining. Mongolia has rich mineral resources, and copper, coal, molybdenum, tin, tungsten, and gold account for a large part of industrial production.

The majority of the population outside urban areas participate in subsistence herding; livestock typically consists of sheep, goats, cattle, horses, and Bactrian camels. Agricultural crops include wheat, barley, potato, vegetables, tomato, watermelon, sea-buckthorn and fodder crops. Gross domestic product (GDP) per capita in 2006 was US$2,100.(1) Although GDP has risen steadily since 2002 at the rate of 7.5% in an official 2006 estimate, the state is still working to overcome a sizable trade deficit. A massive (US$11 billion) foreign debt to Russia was settled by the Mongolian government in 2004 with a US$250 million payment. Despite growth, the proportion of the population below the poverty line is estimated to be 35.6% in 1998, 36.1% in 2002–2003, 32.2% in 2006,(2) and both the unemployment rate and inflation rate are relatively high at 3.2% and 6.0%, respectively (in 2006) Mongolia's largest trading partner is China. As of 2006, 68.4% of Mongolia's exports went to China, and China supplied 29.8% of Mongolia's imports.(3)

Industry currently accounts for 21.4% of GDP, approximately equal to the weight of the agriculture sector (20.4%). These industries include construction materials, mining (coal, copper, molybdenum, fluorspar, tin, tungsten, and gold), oil, food and beverages, processing of animal products, and cashmere and natural fiber manufacturing. The industrial production growth rate is estimated to be 4.1% in 2002. Mining is continuing to rise as a major industry of Mongolia as evidenced by number of Chinese, Russian and Canadian firms opening and starting mining business in Mongolia.(1) Domestic food production, especially packaged food production has been increasingly coming up with speed with investments from foreign companies.

References:

(1) CIA World Factbook: Mongolia

(2) Statistical Yearbook of Mongolia 2006, National Statistical Office, Ulaanbaatar, 2007

(3) Morris Rossabi, Beijing's Growing Politico-economic Leverage Over Ulaanbaatar, The Jamestown Foundation, 2005-05-05, (retrieved 2007-05-29)

Infrastructure

Modern transportation began to develop during the People's Republic of Monglia era helped by the Soviet Union and transportation like the train and airplanes were brought in. The Trans-Siberian Railway crosses through Mongolia and that has been the main infrastructure for transportation of goods between Russia, Mongolia and China for decades. Mongolia has also domestic and international airport throughout the country. The main international airport is the Chinggis Khaan International Airport and direct international flights exist between Russia, China, Japan, Korea, and Germany. The national airline, MIAT, is the largest air carrier in Mongolia that provides domestic services to approximately 20 locations.

The ground transportation system of Mongolia is not well developed, although the central region of the country is relatively well served by both rail and roads. Mongolia has 3,076 km of improved roads, although only 1,303 km are paved. Diesel and trolley buses serve the major cities, and buses and private cars often travel between major towns. Trucks or cars are used to exchange cargo between the countryside and Ulaanbaatar or other towns along the railway system.

The main railway line in Mongolia passes through Ulaanbaatar and connects the Chinese railway system in the south with the Russian Trans-Siberian line in the north, a distance of some 1,400 km. Railway system, run by a Mongolian-Russian joint venture, carries the bulk of Mongolian cargo tonnage.

Utilities and Fuel

Mongolia's main cities are currently supplied with electricity and heat through the four coal-fired power plants of the Central Energy System (CES). The CES has a combined domestic production capacity of 690 MW, with two plants located in Ulaanbaatar, one in Erdenet and one in Darkhan. At peak demand times, additional power is imported from Russia through an overhead power line connection. Power for small cities and towns in outlying provincial areas is provided primarily by diesel powered generators or small coal-fired plants.

The government has announced its intention to privatize almost the entire energy system in the country. Additionally, the government is interested in exploring options for foreign participation in "Build, Operate and Transfer" (BOT) power projects using coal-fired plants, the country's abundant hydroelectric potential, or wind and solar. The government has also announced plans to privatize the water utilities, garbage and building maintenance services of almost all towns in the country, including Ulaanbaatar

Mining

Mongolia has substantial deposits of copper, molybdenum, gold, uranium, lead, zinc, zeolites, rare earths, ferrous metals, fluorspar, phosphate and precious and semi-precious stones. Several major mining operations were developed before 1989 with the assistance of the Soviet Union and the countries of eastern and central Europe. In recent years a number of private mining enterprises have begun operations.

On 1 July 1997, Mongolia enacted a new Minerals Law, ensuring that the country's environment for investment in mineral development would be internationally competitive. The Minerals Law contains strict requirements for the transparent processing of exploration and mining license applications, and guarantees secure tenure and transfer rights for license holders. The enactment of the Minerals Law and growing international recognition of Mongolia's favourable geological environment have combined, in the early years of independence, to spark an influx of both major and junior international mining companies into the country in pursuit of exploration and mine development programmes. The new legal and regulatory regime is very favorable to foreign corporations, providing equal rights to all investors, both foreign and domestic and allowing full foreign ownership of mineral licenses and operations. Besides, there are no restrictions on the repatriation of dividends and profits.

Mineral Resources

In terms of volume and variety of mineral resources, Mongolia ranks among the richest countries, possessing prospected deposits of ferrous, non-ferrous, rare, precious and light metals, as well as rare earth, elements (iron, manganese, chromium, copper, lead, zinc, tin, tungsten, molybdenum, niobium, tantalum, zirconium, gold, silver, aluminum, etc.). There are also numerous deposits of non-metallic minerals and fossil fuels (fluorite, zeolite, phosphorite, piezo-optical raw materials, coal, oil, etc.). The most important minerals in terms of economic value are copper, molybdenum, fluorite, coal, gold and rare elements.

Tin, tungsten and molybdenum

These elements are the most common and economically valuable minerals of Mongolia. Currently they are found in numerous primary and placer deposits. There are significant complex tungsten-tin, less frequently tungsten-molybdenum and copper-molybdenum deposits and manifestations, which are mostly concentrated in the country's east, within the East Mongolian metallogenic area. The deposits in eastern Mongolia date back to the Mesozoic period. The leading regional structures containing tin-tungsten bearing intrusions of granite-leucogranite formations are block swells and block projections of folded ore beddings within volcanic belts. In terms of structural location, the northern part of the East Mongolian metallogenic area is the southwestern extension of the central and East Baikal tin-tungsten belt. Here the Hentii tungsten-tin zone, coinciding with a swell of the same name, is marked by a high degree of rare-metallic mineralization. Apart from the above-described regions, the Mongolian Altai Palaeozoic metallogenic area is promising from the point of view of tin and tungsten mining.

The majority of all prospected deposits, as well as all industrially important manifestations of rare metals, were formed during three main metallogenic ages: the Late Palaeozoic, and the Early and Late Mesozoic. The tungsten and complex tin-tungsten deposits of Mongolia are associated with three main formations: pegmatites, skarns, and wolframite-cassiterite-quartz.

THE TUNGSTEN MINE

The Tungsten Mine is located in the Nogoonnuur Soum of Bayan-Olgii Aimag in the extreme west of Mongolia between the meridian of 90°04'12" and 90°04'38" eastern longitude and in latitudes 49°10'42" and 49°11'00" north with a land area of 29 hectares. It is situated at about 29 km from Olgii, the provincial city of Bayan-Olgii Aimag, within the Mongolian Altay with altitudes ranging from 2,000 to 3,000 metres above sea level. The locality has a continental climate with average temperature of -20°C in winter and average temperature of 14°C in summer.

According to the Geological Report, a total of 6 lodes and 3 metallogenic belts of tungsten ores were identified in the locality. The parameters of these lodes and metallogenic belts are extracted as follows:

Type	Ref. No.	Length *(metres)*	Depth *(metres)*	Average thickness *(metres)*	Average grade WO_3
Lode	71	310	200	0.38	4.12%
	71[I]	–	–	0.2	–
	71[II]	–	–	0.4	1.47%
	72	100	–	0.26	3.67%
	73	700	160	0.43	2.61%
	76	800	–	0.7 to 1.1	0.1% to 41%
Metallogenic belt	1	700	–	29	0.23%
	2	300	–	6	0.18%
	3	300	–	15	0.21%

Liaoning Province No. 7 Geological Brigade opines that as the average thickness of the lodes ranges from 0.26 to 0.5 metres, the Tungsten Mine is considered to have high industrial value.

The Mining Licence

Pursuant to a Minerals Mining Licence No. 3506A issued by Mineral Resources and Petroleum Authority of Mongolia dated 29 January 2007, permission for minerals mining in the mining field of 29 hectares located in the area of Tsunheg, Nogoonnuur Soum, Bayan-Olgii Aimag has been granted to Baruun Mongolyn Metall LLC (State Registration Certificate No. 9019008138) for a period of thirty years in accordance with Article 26 of the Minerals Law of Mongolia.

Pursuant to a letter regarding acceptance and registration of the tungsten ore resource in the mining field of Tsunheg dated 29 June 2006 issued by Mineral Resources and Petroleum Authority of Mongolia, the tungsten resources in the said mining field of Class B ore is 80,677.00 tons, of which 2,682.51 tons are tungsten (III) oxide (WO_3) with average grade of 3.33%, and of Class C ore is 405,138.00 tons, of which 9,267.26 tons are WO_3 with average grade of 2.29%.

Resource Estimation

According to the Geological Report prepared by Liaoning Province No. 7 Geological Brigade, the estimated resource of raw tungsten deposits of the Tungsten Mine is approximately 19.9 million tons.

Based on the samples available from the drill holes made in the Tungsten Mine, Liaoning Province No. 7 Geological Brigade further opines that other ore minerals such as molybdenum scandium, tantalum, niobium and gold etc. are also found in the Tungsten Mine.

The Processing Plant

According to the Feasibility Report, a processing plant has to be established in the Tungsten Mine. The proposed processing plant is planned to be equipped with a designed production capacity of 3,000 tons of tungsten ore per day. The set-up cost for the Tungsten Mine together with the proposed processing plant is estimated to be approximately US$13.24 million and that the development of the Tungsten Mine will require approximately twelve months to complete.

TUNGSTEN – AN OVERVIEW

Tungsten (symbol W) is an extremely hard, heavy, steel-grey to white metal that is one of the heaviest of all the elements, remarkable for its robust physical properties and vast uses. In its purest form it is quite pliant and can easily be processed. With high binding energy, tungsten alloys and some tungsten compounds cannot be substituted in many important applications in different fields of modern technology.

Commercial Uses

Tungsten has a wide range of uses, the largest of which is as tungsten carbide, a wear-resistant material used by metalworking, mining, petroleum, military construction and jewellery industries. Tungsten is widely used in high-tech electronic equipment, due to its high strength and durability. It can also be draw into very thin metal wires that have a high melting point, similar to the temperature of the sun. The main uses of tungsten are illustrated briefly as follows:

Ammonium Paratungstate (APT)

APT (with the chemical formula $(NH_4)_{10}(H_2W_{12}O_{42})4H_2O$) is the main intermediate and also the main tungsten raw material traded in the market. APT is usually calcined to yellow (WO_3) or blue oxide (WO_{3-x}; a slightly substoichimetric trioxide with varying oxygen content).

Tungsten Metal Powder (W)

Yellow or blue oxide is reduced to tungsten metal powder by hydrogen. The reduction is carried out either in pusher furnaces, in which the powder passes through the furnace in boats, or in rotary furnaces, at 700 – 1,000°C.

Tungsten Carbide (WC)

Most of the tungsten metal powder is converted to tungsten carbide (WC) by reaction with pure carbon powder, e.g. carbon black, at 900°C – 2,200°C in pusher or batch furnaces, a process called carburization.

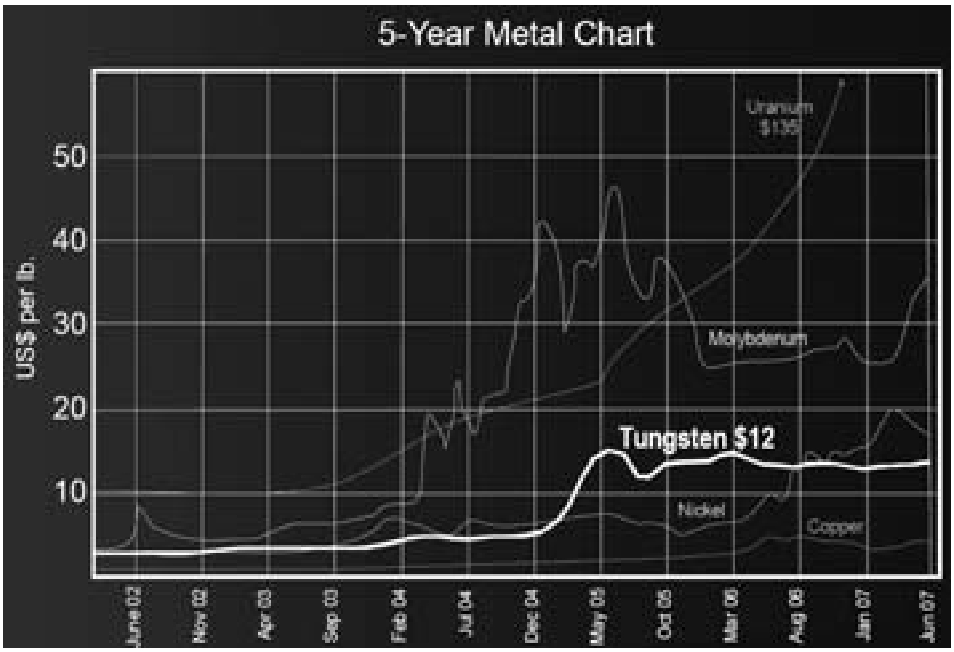
Tungsten carbide is, quantitatively, the most important tungsten compound. Because of its hardness, it is the main constituent in cemented carbide (hard metal).

Global Demand

Global demand for tungsten has recently increased with continuing growth of the world's principal economies. China is the largest consumer and producer of tungsten in the world. For decades, China has dominated the global tungsten market, provided 85% world's primary tungsten. Current mine production in the west is significantly less than western consumption. China has decreased export quotas for tungsten, and increased taxes on the amount available for export. Current world mine supply is believed to be less than usage, with the difference coming from stockpiles.

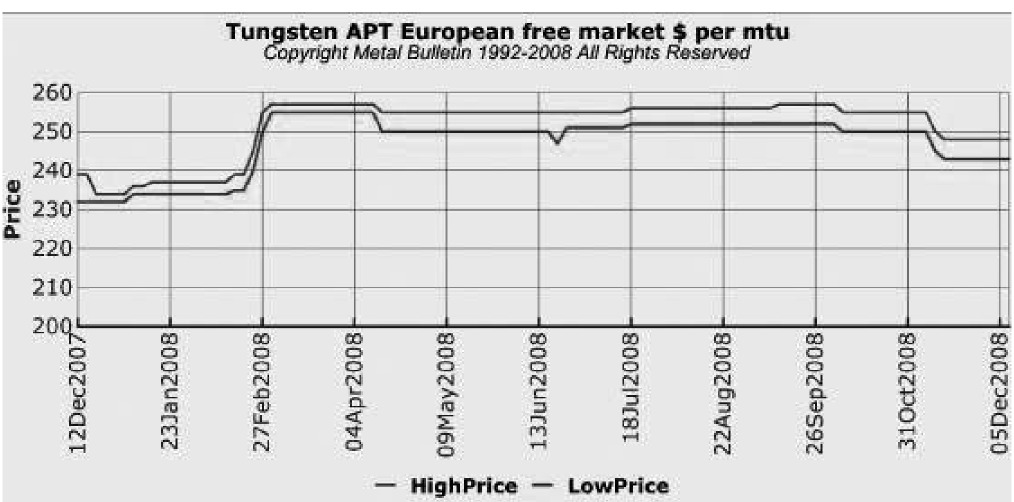
In recent years, trade in concentrates has diminished and the market has relied more and more upon the APT quotation as a price guide since APT is the product traded in the largest quantity. The prices of tungsten have more than tripled since 2004 and have sustained at levels of above US$10 per pounds, or US$200 per metric ton unit *(See Figure 3 below)*.

Fig. 3: Price Chart for Selected Metal from January 2002 to June 2007



Regardless of the global economic crisis emerged in the later half of 2008, the prices of tungsten ore through out the year appeared to be rather stable.

Fig. 4: Prices of tungsten APT in European free market from December 2007 to December 2008



In the light of the increasing demand due to supply restrictions from China, currently no economically viable substitutes for many critical uses, ongoing new applications in technology, manufacturing, industry, etc., the prices of tungsten ore are expected to remain promising.

RISK FACTORS

This valuation is based on the assumptions and financial projections provided. While the assumptions and considerations of such matters and projections of future net cash flows have been carefully scrutinized, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Business Enterprise.

The Business is subject to uncertainty and there is no assurance that the business plan for the Business will materialize. In the course of our valuation, we have considered the following potential risks:

- The business operations are extensively impacted by the policies and regulations of the Mongolian Government.
- The continuing success depends on the ability to continue developing tungsten ore resources.
- The business and results of operations are susceptible to the cyclical nature of tungsten ore markets and are vulnerable to fluctuations in tungsten ore prices.
- The business requires significant and continuous capital investment.
- The tungsten ore resource/reserve data may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on these estimates, may differ materially from actual figures.
- It may not have sufficient insurance coverage against potential operational risks.
- Adverse changes in the economic, political and social conditions as well as governmental policies in Mongolia could have a material adverse effect on the overall economic growth, which could in turn adversely affect the financial condition and results of operations.
- Market risk associated with changes in interest rates, foreign exchange rates and government policies will affect the profitability of the Business Enterprise.

BASIS OF VALUATION AND ASSUMPTIONS

We have valued the Business on the basis of its market value which is defined herein as the estimated amount at which a business entity should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (1st Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (1st Printed 205) published by the Hong Kong Business Valuation Forum, and under generally accepted valuation procedures and practices.

In the course of our valuation, we have adopted certain specific assumptions and the major ones are as follows:

- We have relied on the Geological Report prepared by Liaoning Province No. 7 Geological Brigade and we have no responsibility for the reliability of the advice;

- We have assumed the Business Enterprise has free and uninterrupted rights to use or assign the interests of the Tungsten Mine for the whole of the unexpired terms as granted and any mining rights premiums/administrative costs payable have already been fully paid;

- The mining right is able to renew from time to time in order to achieve the planned extraction phase;

- The mining area of 29 hectares and the production of 135,000 tons per annum is adopted;

- The reported resources of the Tungsten Mine, as per information from the letter issued by Mineral Resources and Petroleum Authority of Mongolia on 29 June 2006, is approximately 80,667 tons and 405,138 tons for Class B and Class C tungsten ore;

- The recovery of tungsten, per the information from the Feasibility Report, is approximately 90%;

- The price for the tungsten concentrate is USD12,890 per ton and in the course of our valuation, we have adopted zero future growth rate for the price throughout the forecasting period;

- We adopted a projection period of 5 years from 1 January 2009 based on the Feasibility Report provided to us and our discussion with the Company;

- The Business Enterprise will successfully complete the subsequent expansion program and obtained the expected result by using the mining right as part of its going concern business;

- All required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed on which the valuation contained in our report are based;

- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate), market or economic conditions, the bases or rates of taxation in Mongolia;

- The Business Enterprise will successfully develop the Tungsten Mine as planned, and is able to mine, to transport and sell the products at market price as projected;

- The Business Enterprise has adequate working capital to implement the scheduled mining operations from time to time;

- The Business Enterprise has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geologic formation structurally deformed and other types of unexpected accident or natural disasters of catastrophes) to the scheduled mining operations;

- There exist reliable and adequate transportation network and capacity for the mining products;

- The Business Enterprise can be freely disposed of and transferred free of all encumbrances for its existing or approved uses in the market to purchasers without payment of any premium to the government;

- All relevant legal approvals and business certificates or licences to operate the Business have been officially obtained and will be renewable upon expiry;

- The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals;

- The financial projections provided will materialize;

- There are no outstanding debts and loans incurred at the Date of Valuation;

- There will be a sufficient supply of technical staff in the industry in which the Business Enterprise operates;

- The Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operation and development;

- There will be no major changes in the current taxation laws in the specific market areas and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the specific market areas, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the specific market areas will not differ materially from those presently prevailing.

INVESTIGATION AND ANALYSIS

We confirm that we have carried out discussions with the management of the Company, made relevant inquiries and obtained such further information, as we consider necessary for the purpose of this valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business provided to us and have assumed their accuracy. We have also consulted other sources of financial and business information.

The valuation of an interest in the Business requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- The nature of the Business Enterprise and its history from inception;
- The nature of the Business;
- The financial condition of the Business Enterprise;
- The nature and the characteristics of the mining right such as the historical background and the ground work to develop the mining areas;
- The mining operations and resource/reserve estimation by the technical experts;
- Projections made by the management of the Business Enterprise;
- The nature of the mining right such as the remaining life and its characteristics;
- The capability of the Business Enterprise in exploring the mines and its subsequent operations;
- The economic and industry data affecting the mines and the mineral extraction industry in Mongolia;
- The economic outlook of Mongolia in general and the specific economic environment and market elements in the world that may affect the Business as a whole;
- The financial and business risk of the Business and its projected results; and
- Investment returns and market transactions of entities engaged in similar lines of business.

APPROACHES TO VALUE

In the course of our valuation, we have considered the three generally accepted approaches to assess the value of an asset, namely, the Asset-based Approach, Market Approach and Income Approach. Each of these approaches is appropriate in certain circumstances. The decision as to which approach to utilize generally depends on the approach most commonly adopted in valuing the asset that is similar in nature with the assets in question and the availability of appropriate information. The theory of these approaches is outlined as follows:

1) *The Asset-based Approach* is founded on the principle of substitution, i.e., an asset is worth no more than it would cost to replace all of its constituent parts. It is a means of estimating the value of a business interest using methods based on the market value of individual business assets less liabilities.

   The assumption is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and long term debt).

2) *The Market Approach* is a general way of estimating a value indication of a business interest using one or more methods that compare the subject to similar business or business ownership interest that changed hands in arm's-length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

   This approach involves the collection of market data pertaining to the business interest being valued. The primary intent of the Market Approach is to determine the desirability of the business interest through recent sales of similar businesses currently on the market in order to arrive at an indication of the most probable selling price for the business being valued. If the comparable sales are not exactly similar to the business being valued, adjustments may need to be made to render the similar businesses and the subject business more comparable.

3) *The Income Approach*, also known as Income Capitalization Approach, is a general way of estimating a value indication of a business interest using one or more methods wherein a value is estimated by converting anticipated benefits into capital value. It focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity.

In any valuation study, all three approaches to value must be considered, as one or more approaches may be applicable to value the Business.

VALUATION METHODOLOGY

Given the nature of the Business and the information available, we considered the Income Approach to be the most appropriate approach and adopted the Yield Capitalization Method, also known as the Discounted Cash Flow Analysis. By virtue of this method, value depends on the present worth of future economic benefits derived from ownership of the shareholders' equity. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' loans and interest, and in some cases, repayment of registered capital plus interest, dividends to their present worth at market-derived rates of return which in our opinion is appropriate to reflect the risk and hazard of the business.

When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity was developed by using Capital Asset Pricing Model ("CAPM"). CAPM states that an investor requires excess returns to compensate systemic risks and provide no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systemic; other risks are referred to as non-systematic. Under CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risks assumed. In addition, the rate of return of the Business is affected by other firm specific risk factors that are independent of the general market.

In developing the discount rate for the Business, several listed companies in Hong Kong with similar business nature were selected as comparable companies, which include Zhaojin Mining Industry Co Ltd (01818), Zijin Mining Group Co Ltd. (02899) and Lingbao Gold Co Ltd. (03330).

The discount rate of approximately 20.12% adopted was determined by the risk-free rate of approximately (1.14%) (the yield of the Hong Kong's 15-year Exchange Fund Notes), equity risk premium of approximately (11.98%) and estimated beta of the Business of approximately (0.71) and firm specific risk factors including the start-up risk premium (5%) and size premium (3.65%).

VALUATION COMMENTS

We have not investigated any industrial safety environmental and health-related regulations in association with this particular production process. It is assumed that all-necessary licenses, procedures, and measures were implemented in accordance with the Government legislation and guidance.

We have been provided with copies of the Minerals Mining Licence relating to the Tungsten Mine and legal opinion on its ownership. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Tungsten Mine that is assumed to be good and marketable. Unless otherwise stated, it is assumed that it is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. It is further assumed that there are no hidden or unapparent conditions of the Tungsten Mine, which would render the Business more or less valuable.

LIMITING CONDITIONS

This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided in arriving at our opinion of value. We assume, without independent verification, the accuracy of all information provided to us. We have had no reason to doubt the truth and accuracy of the information furnished to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We would particularly point out that our valuation has relied heavily on the information as contained in the information provided to us.

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the sole use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any part of its contents.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this valuation report are in US Dollar (US$). Where necessary, the exchange rate adopted in our valuation was US$1=Tg1,144.37, which was approximately the prevailing exchange rate as at the Date of Valuation.

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that the market value of the 100 per cent. equity interest in the Business as at 31 December 2008, was reasonably represented by the amount of **USD$35,000,000 (US DOLLARS THIRTY-FIVE MILLION ONLY)**.

We hereby confirm that we have neither present nor prospective interest in the Company, the Business Enterprise, the Business, the Tungsten Mine or the value reported herein.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
Registered Business Valuer
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham has been conducting asset valuations and consultancy works in the Greater China and the Asia Pacific regions for various purposes for more than 25 years. He has undertaken various valuation assignments on business enterprises and intangible assets since 1998 and has extensive experience in the valuation of patent and proprietary technology; infrastructure project including power plants, toll roads, port facilities; and business enterprises in various industries such as information technology, health products, pharmaceutical and biotechnology, media, energy, etc.

3. *Set out below are the texts of letters in connection with the forecast underlying the valuation on the iron mining business and the tungsten mining business in Mongolia as at 31 December 2008 which is considered as a profit forecast under Rule 14.62(1) of the Listing Rules, received from HLB Hodgson Impey Cheng, the independent reporting accountants and Grand Cathay Securities (Hong Kong) Limited, the financial adviser, for the purpose of inclusion in this circular.*

(A) Letter from the reporting accountant

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 March 2009

Dear Sirs,

Asia Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group")

Comfort letter on forecast underlying the valuation on the iron mining business and tungsten mining business in Mongolia as contained in the Company's circular dated 31 March 2009 (the "Circular") – Acquisition of entire share capital of Tian Sheng Resources Development Limited ("Tian Sheng")

We report on the calculations of the discounted future estimated cash flows on which the asset valuation (the "Valuation") dated 31 March 2008 prepared by B.I. Appraisals Limited (the "Valuer") in respect of the Valuation of the iron mining business and tungsten mining business in Mongolia as at 31 December 2008 as set out in Appendix V of the Circular of the Company in connection with the proposed acquisition of the entire interest in Tian Sheng by the Company. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Respective responsibilities of the directors of the company and the reporting accountants

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the iron mining business and tungsten mining business in Mongolia.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix V of the Circular.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(B) Letter from financial adviser

大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

31 March 2009

The Board of Directors
Asia Resources Holdings Limited

Dear Sirs,

We refer to the calculations of the discounted future estimated cash flows on which the asset valuations in respect of the iron mining business and tungsten mining business in Mongolia as at 31 December 2008 prepared by B.I. Appraisals Limited as set out in Appendix V to the circular issued by Asia Resources Holdings Limited (the "Company") dated 31 March 2009. The valuations which are determined based on the discounted cash flows are regarded as profit forecast (the "Forecast") under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

We have discussed with you the bases and assumptions as set out in Appendix V to the Circular upon which the Forecast has been made. On the basis of the assumptions and calculations adopted by you, we are of the opinion that the Forecast, for which you are solely responsible, has been made after due and careful enquiry.

However, in as much as the Forecast and the assumptions on which they are based relate to the future, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan	**Kevin Chan**
Director	*Director*

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the authorised and issued share capital of the Company, together with changes in connection with the proposed Acquisition as mentioned in this circular, are as follows:

Authorised share capital

Shares		*HK$*
10,000,000,000	(as at the Latest Practicable Date)	500,000,000

Issued and fully paid up

Shares		*HK$*
1,411,440,590	(as at the Latest Practicable Date)	70,572,030
566,666,666	(Conversion Shares to be issued upon conversion of the Bonds, assuming exercise of the conversion rights attached to the Bonds in full)	28,333,333
1,978,107,256		98,905,363

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

(i) Interests in the Shares

Long positions:

Name	*Notes*	**Number of Shares held**	**Percentage of the Company's existing issued share capital** *(%)*
Golden Mount	*(a)*	400,000,000	28.34
Landstar Investments Limited	*(b)*	129,380,827	9.17
Wang Jin Song	*(b)*	129,380,827	9.17
China Life Trustees Limited	*(c)*	84,590,000	5.99

Notes:

(a) Golden Mount is solely owned by Mr. Chim Pui Chung, who is the father of Mr. Ricky Chim, a Director.

(b) Ms. Wang Jin Song ("**Ms. Wang**") beneficially owns 85% equity interest in Ankeen Enterprises Limited ("**AEL**"), which in turn, beneficially owns 41.93% equity interest in Shenzhen Netpunus Group Co., Ltd. ("**SNGCL**"). SNGCL beneficially owns 86% equity interest in Shenzhen Neptunus Health Drugstore Co., Ltd. ("**SNHDCL**"), which in turn, beneficially owns 100% equity interest in Hong Kong Neptunus Health Drugstore Limited ("**HKNHDL**"). HKNHDL beneficially owns 100% equity interest in Advance Year Company Inc. ("**AYCI**") AYCI beneficially owns 100% equity interest in Landstar Investments Limited ("**LIL**").

Ms. Wang, AEL, SNGCL, SNHDCL, HKNHDL and AYCI are deemed to be interested in the 129,380,827 Shares held by LIL. Save as disclosed above, Ms. Wang is an Independent Third Party.

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 the said Shares to Industrial Bank.

(c) The 84,590,000 Shares were held by China Life Trustees Limited ("**China Life**") in the capacity of a trustee. China Life 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.

(ii) Interest in the underlying Shares

Name	Number of underlying Shares held	Percentage of the Company's existing issued share capital *(%)*
Bao Fung Investments Limited *(note)*	566,666,666	40.15

Note: Bao Fung Investments Limited, being the Vendor, is owned by Mr. Chan and Mr. Sun in equal share. The above interest represents the maximum number of 566,666,666 new Shares which may be issued upon the exercise of the conversion rights attached to the Bonds. As at the Latest Practicable Date, Bao Fung Investments Limited held 50,000 shares, being the entire issued share capital of Tian Sheng Resources Development Limited (i.e. the Target Company), all of which were charged in favour of the Purchaser under the Share Charge. As at the Latest Practicable Date, the entire interest in the registered capital of each of Cavern Riches LLC (i.e. the First Mongolia Company) and Khuderbold LLC (i.e. the Existing Iron Company) was registered in the name of the Target Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

DIRECTORS' SERVICE CONTRACTS

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

LITIGATION

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

COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and his respective Associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than the Group's businesses and/or those businesses to which the Directors and his respective Associates were appointed to represent the interests of the Company and/or the Group.

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Supplemental Agreement No.2;

(b) the Supplemental Agreement No.1;

(c) the Acquisition Agreement;

(d) an assignment of rights and obligations dated 13 October 2008 and made by Asia Intercept Mongolia LLC ("**Asia Intercept**") and in favour of the Target Company, pursuant to which all the rights and obligations of Asia Intercept under a shares purchase agreement dated 29 April 2008 (which was made between I Yan Kuen Ie as vendor and Asia Intercept as purchaser, pursuant to which the entire issued and outstanding shares in the Existing Iron Company has been agreed to be sold by I Yan Kuen Ie to Asia Intercept) have been assigned by Asia Intercept to the Target Company;

(e) an agreement dated 8 August 2008 and made between the Existing Tungsten Company as vendor and the First Mongolia Company as purchaser, pursuant to which the Tungsten Mining Licence and the Tungsten Exploration Licence have been agreed to be sold by the Existing Tungsten Company to the First Mongolia Company;

(f) a supplemental agreement to the Share Transfer Agreement (defined in paragraph (g) below) dated 4 July 2008 and entered into between the parties to the Share Transfer Agreement in relation to the extension of completion date and the last instalment payment date;

(g) a share transfer agreement ("**Share Transfer Agreement**") dated 12 December 2007 and entered into between Bestime Systems Limited (a wholly-owned subsidiary of the Company) as transferor and Mr. Zhou Yu Kang as transferee, in relation to the transfer of 30% of the issued share capital of Skyyield Holdings Limited; and

(h) various agreements all dated 18 May 2007 and entered into between Siping Ju Neng Medicine Industry Co., Ltd. (a wholly-owned subsidiary of the Company) as vendor and 中紡資產管理有限公司 as purchaser in relation to the transfer of various properties located in Beijing, the PRC.

QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts ("**Experts**") who have given opinion or advice contained in this circular:

Name	**Qualifications**
B.I. Appraisal Limited	Registered Professional Surveyor, Registered Business Valuer, China Real Estate Appraiser
HLB Hodgson Impey Cheng	Chartered Accountants, Certified Public Accountants
Grand Cathay Securities (Hong Kong) Limited	Corporation licensed under SFO to carry on types 1, 6 and 9 regulated activities

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/statements/certificates/report/opinion (as the case may be) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts has confirmed that it does not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts has confirmed that it does not have any direct or indirect interests in any assets which have been, since 31 March 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

MISCELLANEOUS

(a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is Unit 04, 34/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(c) The company secretary of the Company is Ms. Luler Tang Lo Nar who is a fellow member of the Association of Chartered Certified Accountants and a member of Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular and the form of proxy shall prevail over the Chinese text for the purpose of interpretation.

MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited consolidated financial statements of the Group were made up.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 04, 34/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the Bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 March 2007 and 2008;

(c) the accountants' reports on the financial information regarding the Target Group, the text of which is set out in Appendix II to this circular, together with the statement of adjustments;

(d) the comfort letter and the unaudited pro forma financial information on the Enlarged Group, the text of which are as set out in Appendix III to this circular;

(e) the Valuation Reports on the Target Mines (including the letter, summary of values and valuation certificates) prepared by the Valuer, the texts of which are set out in Appendix V to this circular;

(f) the material contracts referred to in the section headed "Material Contracts" in this Appendix VI;

(g) the written consents referred to in the section headed "Qualification and Consent of Experts" in this Appendix VI; and

(h) this circular.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 899)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting of Asia Resources Holdings Limited (the "Company") will be held at 10:30 a.m. on Friday, 17 April 2009 at the Wharney Guang Dong Hotel Hong Kong of No. 57-73 Lockhart Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**:

(i) the Acquisition Agreement (as defined in the Company's circular dated 31 March 2009 of which this notice of special general meeting forms part) relating to the Acquisition (as defined in the said circular) by Infinite Nature Limited, a wholly-owned subsidiary of the Company, of the entire issued share capital of and debts to Tian Sheng Resources Development Limited from Bao Fung Investments Limited ("**Vendor**"), a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved, confirmed and ratified;

(ii) the execution by the Company of the instrument by way of a deed poll constituting the Bonds (as defined in the said circular) and the creation and issue by the Company of the Bonds in the principal amount of up to HK$170 million to the Vendor as settlement for part of the Acquisition Price (as defined in the said circular) (but in the event of the First Reorganisation (as defined in the said circular) not being consummated before Completion (as defined in the said circular) while Infinite Nature Limited elects at its sole discretion to proceed with Completion, no such Bonds will be created at all) pursuant to the terms and conditions of the Acquisition Agreement be and it is hereby approved; and

(iii) the directors ("**Directors**", each a "**Director**") of the Company be and they are hereby generally and specifically authorised ("**Special Mandate**") to allot and issue such number of new shares having a par value of HK$0.05 each ("**Conversion Shares**") as may be required to be allotted and issued at the Initial Conversion Price (as defined in the said circular) upon the exercise of the conversion right attaching to the Bonds approved to be issued under Resolution no. (ii) above (or to the extent necessary) on and subject to the terms and conditions of the Acquisition Agreement and the terms and conditions of the Bonds contained in the schedule to the Acquisition Agreement and **THAT** the Special Mandate shall be in addition to, and shall not prejudice nor revoke

* *For identification purposes only*

the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 29 August 2008 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this Resolution,

and that all the transactions contemplated under the Acquisition Agreement, including the issue of the Bonds, the allotment and issue of Conversion Shares upon exercise of the conversion right attached to the Bonds (together the "**Acquisition Transactions**") be and they are hereby approved and that any one Director be and he is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents by hand and, where required, under the common seal of the Company together with such other Director or person authorized by the board of Directors, which in his or their opinion may be necessary desirable or expedient to carry into effect or to give effect to the Acquisition Agreement and/or the Acquisition Transactions, including such changes, amendment or waiver thereto which are not fundamentally different from those as provided under the Acquisition Agreement, as any one Director may consider necessary, desirable or expedient."

On behalf of the Board
Asia Resources Holdings Limited
Chim Kim Lun, Ricky
Chairman

Hong Kong, 31 March 2009

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 04, 34/F, Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

Notes:

1. The above resolution (which for clarity purpose has been presented in three parts, namely, (i), (ii) and (iii)) shall be voted as a single resolution only.

2. A proxy form to be used for the meeting is enclosed.

3. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

5. The instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting. Delivery of the form of proxy shall not preclude a member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.