INTERIM REPORT
2009/2010

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

(Stock Code: 899)

* For identification purpose only

CONTENTS

HIGHLIGHTS

Unaudited loss attributable to shareholders of the Group was approximately HK$40.2 millions for the six months ended 30 September 2009, which represents an increase in loss of approximately HK$39.4 millions as compared to the corresponding period last year.

For the six months ended 30 September 2009, unaudited turnover decreased to approximately HK$69.6 millions, which represents a drop of approximately 27.6% as compared to the corresponding period last year.

Unaudited basic and diluted loss per share of the Group was approximately 2.66 HK cents for the six months ended 30 September 2009.

The Directors do not recommend any interim dividend for the six months ended 30 September 2009.

CORPORATE INFORMATIONS

BOARD OF DIRECTORS

Executive Directors

Mr. Chim Kim Lun, Ricky
Mr. Chan Sung Wai
Mr. Chan Shun Yuen
(appointed on 30 July 2009)
Mr. Wong King Lam, Joseph
(appointed on 1 October 2009)

Independent Non-executive Directors

Mr. Yiu Fai Ming
Mr. Zhang Xianlin
Mr. Tse Yuk Kong

COMPANY SECRETARY

Ms. Tang Lo Nar, Luler

PRINCIPAL BANKERS

China Construction Bank Corporation
Agricultural Bank of China
CITIC Ka Wah Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Wenzhou City Commercial Bank

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 04, 34/F., Bank of America Tower
12 Harcourt Road
Central, Hong Kong

REGISTRARS (IN BERMUDA)

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

REGISTRARS (IN HONG KONG)

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2009, the Group's turnover amounted to approximately HK$69,618,000 (2008: approximately HK$96,211,000), from its principal business of pharmaceutical operations, representing a decrease of approximately 27.6% as compared to the corresponding period last year. Correspondingly, gross profit of the Group for the six months ended 30 September 2009 decreased to HK$29,310,000 (2008: HK$39,050,000). However, the gross profit margin has a slight increase to approximately 42% (2008: approximately 41%) as compared to the same period last year.

For the six months ended 30 September 2009, the selling and distribution cost amounted to approximately HK$22,123,000 (2008: approximately HK$24,329,000); the administrative expenses amounted to approximately HK$16,244,000 (2008: approximately HK$12,859,000); the loss on early redemption of promissory notes amounted to approximately HK$20,502,000 (2008: nil); the total finance costs amounted to approximately HK$10,554,000 (2008: approximately HK$5,838,000), mainly included an imputed promissory note interest of approximately HK$7,342,000 (2008: nil) and bank loan interest of approximately HK$3,212,000 (2008: approximately HK$5,838,000). The net loss attributable to shareholders of the Company amounted to approximately HK$40,161,000 (2008: approximately HK$757,000). During the period, the loss increased by approximately HK$39,404,000 mainly attributable to the decrease in sales volume, loss on early repayment of promissory notes and the imputed promissory note interest incurred.

Basic and diluted loss per share from operations was approximately 2.66 HK cents for the six months ended 30 September 2009 (six months ended 30 September 2008: basic and diluted loss per share of 0.05 HK cents).

Pharmaceutical Operations

As a result of the decline in sales volume of pharmaceutical products, the Group recorded revenue from the pharmaceutical operation business of approximately HK$69.6 million for the six months ended 30 September 2009 representing a decrease of approximately 27.6% as compared with approximately HK$96.2 million of the corresponding period in 2008.

Accordingly, this segment results dropped from approximately HK$10 million profit for the six months ended 30 September 2008 to approximately HK$2.2 million loss for the six months ended 2009.

BUSINESS REVIEW AND PROSPECT (Continued)

Pharmaceutical Operations *(Continued)*

The operating environment for the six months during the period under review was full of challenges. The decline in sales volume was mainly due to (i) the keen market competition, the Group's competitors slashed prices to promote sales; (ii) the Group restructures its production plants in the PRC which required the clearance of part of its existing production plants. This action resulted in a temporary decline in production volume of our product. Looking forward to the second half of the year, it is unlikely that the operating environment of intravenous fluids will improve and the profitability of which will rise remarkably. The new production line was expected to commence production in mid of 2010 and the management expect the business will improve and growth in a healthy manner and have stronger competitive edges to survive in the competing environment.

Iron Ore Mining Operation

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, 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.

On 3 December 2008, 5 January 2009 and 2 February 2009, the Group has entered into a conditional sale and purchase agreement and supplemental agreements to acquire the entire issues share capital in Tian Sheng Resources Development Limited. The main asset of Tian Sheng is the entire equity interest in a Mongolia subsidiary, Khuderbold LLC which principally engaged in conducting mining work for iron resources in Mongolia. The acquisition was completed on 3 June 2009.

Tian Sheng and Khuderbold (collectively referred as to "Tian Sheng Group") have not carried out any significant business transactions since the date of acquisition. Accordingly Tian Sheng Group recorded a loss of approximately HK$1,394,000 for the six months ended 30 September 2009. The loss was mainly comprised with administrative and exploration expenses. The management has commenced to establish a working group in order to speed up the process of iron ore mine exploration work and to identify business opportunities in the market.

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2009 (2008: nil).

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK$399,370,000 as at 30 September 2009 from approximately HK$351,554,000 as at 31 March 2009. As at 30 September 2009, the short term and long term interest bearing debts to shareholders' equity was approximately 27.2%. (as at 31 March 2009: approximately 32.5%.)

As announced by the Group on 29 June 2009, 21 July 2009 and 24 August 2009 respectively, the Group had conducted and completed three tranches of placing of 88,500,000 new Shares at the placing price of HK$0.397 per new Share, 111,660,000 new Shares at the subscription price of HK$0.30 per new Share and 81,000,000 new Shares at the subscription price of HK$0.25 per new Share respectively under the General Mandate. (the "Placings")

The Placing Shares of 88,500,000 new shares and Subscription Shares of 192,660,000 new shares represent about 19.9% of the existing issued share capital of the Group and about 16.6% of the enlarged share capital of the Group immediately after the Placing and Subscription. The Placing Shares and Subscription Shares were issued under the General Mandate and rank equally among themselves and with the then existing shares.

As announced on 6 November 2009, the Group has conditionally agreed to place, through a placing agent, on a best effort basis, up to 320,000,000 placing shares not later than 5 February 2010 under the General Mandate at a price of HK$0.26 per placing share. As of to date, 88,000,000 shares have been issued under this placing.

The Directors believe that the above fund raising exercise provides an opportunity to broaden the shareholder base and strengthens its capital base and financial position for its future business developments. Further, the Group considers that the Placing and Subscription are currently a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved. The Group used the net proceeds of the Subscription as general working capital of the Group and for the material and proposed acquisitions (see below).

MATERIAL ACQUISITION

On 3 December 2008, 5 January 2009 and 2 February 2009, the Group has entered into a conditional sale and purchase agreement and supplemental agreements to acquire the entire issues share capital in Tian Sheng Resources Development Limited. For further details, please refer to the Company's circular dated 31 March 2009. The acquisition was completed on 3 June 2009 *(Please refer to Note 20)*.

PROPOSED ACQUISITION

According to the announcement dated on 3 November 2009, the Company proposes to acquire the mining licences of an iron mine in Indonesia. The Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. An announcement in compliance with Chapter 14 of the Listing Rules is being prepared and will be published by the Company as soon as practicable.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2009 the Group had total assets of approximately HK$627,749,000 (31 March 2009: approximately HK$500,053,000) which was financed by current liabilities of approximately HK$129,534,000 (31 March 2009: approximately HK$143,227,000), non-current liabilities of approximately HK$98,845,000 (31 March 2009: approximately HK$5,272,000) and shareholders' equity of HK$399,370,000 (31 March 2009: approximately HK$351,554,000).

The Group's current ratio as at 30 September 2009 was approximately 1.77 (31 March 2009: approximately 2.56) and gearing ratio, representing the total bank borrowings divided by the shareholders' equity was approximately 27.2% (31 March 2009: approximately 32.5%). The total outstanding borrowings of the Group as at 30 September 2009 were denominated in Renminbi, about approximately 40% (31 March 2009: approximately 42%) borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

FINANCIAL RESOURCES AND LIQUIDITY (Continued)

As at 30 September 2009, certain buildings with aggregate carrying amount of approximately HK$20,344,000 (31 March 2009: approximately HK$20,826,000), plant and machinery amounting to approximately HK$8,968,000 (31 March 2009: approximately HK$11,915,000), land use rights amount of approximately HK$6,301,000 (31 March 2009: approximately HK$6,404,000) and bank deposits amount of HK$nil (31 March 2009: approximately HK$11,338,000) had been pledged to secure banking facilities granted to the Group.

Except for the capital commitment of acquisitions of non-current assets amounting to approximately HK$5,269,000 (31 March 2009: approximately HK$15,544,000), the Group had no other material capital commitment and contingent liabilities as at 30 September 2009.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2009, the Group has approximately 781 employees in Hong Kong and the PRC. Remuneration packages are generally structured accordingly to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsored employees in different training and continuous education programs.

DIRECTORS' INTERESTS IN SECURITIES

None of the directors, chief executives or their respective associates of the Company had, as at 30 September 2009, any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV) of the Securities and Futures Ordinance ("SFO") which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

The Company's share options scheme (the "Scheme") adopted on 14th January 2002 for the purposes of the recognition of the significant contribution of and for the provisions of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors to the Group or affiliate will expire on 13 January 2012. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. Afterwards, pursuant to the Resolution passed by the shareholders in general meeting held on 25 August 2009 to renew the Limit (the "Refreshed Scheme Limit"), the Refreshed Scheme Limit as at 30 September 2009 is 161,160,059. No options have been granted by the Company under the Scheme since its adoption.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

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

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

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

Name of shareholder	**Capacity**	**Number of issued ordinary shares held**	**Approximate percentage of the issued share capital of the Company**
Golden Mount Limited *(Note 1)*	Beneficial owner	230,000,000	13.59%
Ms. Wang Jin Song *(Note 2)*	Held by controlled corporation	129,380,827	7.64%
Landstar Investments Limited *(Note 2)*	Beneficial owner	129,380,827	7.64%
Joinsmart Asia Limited	Beneficial owner	111,660,000	6.60%
China Life Trustees Limited *(Note 3)*	Trustee	84,590,000	5.00%
China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch *(Note 3)*	Held by controlled corporation	84,590,000	5.00%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Golden Mount Limited is solely owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Rick, a Director.

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

   Ms. Wang, AEL, SNGCL, SNHDCL, HKNHDL and AYCI are deemed to be interested in the 129,380,827 shares held by LIL.

   Industrial Bank Co., Ltd. Shenzhen Bagualing Sub-branch ("Industrial Bank") is deemed to be interested in the 129,380,827 shares as LIL has pledged its shares to Industrial Bank.

3. China Life Trustees Limited is accustomed to act in accordance with directions of China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 September 2009, which would fall to be disclosed under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 September 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

(i) None of the independent non-executive directors were appointed for a specific term, but they are subject to the retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-law of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2009.

By Order of the Board
Chim Kim Lun, Ricky
Chairman

Hong Kong, 18 December 2009

The Board of Directors (the "Board") of Asia Resources Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30 September 2009 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

		For the six months ended 30 September	
		2009	2008
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	*4*	**69,618**	96,211
Cost of sales		**(40,308)**	(57,161)
Gross profit		**29,310**	39,050
Other revenue		**1,072**	3,905
Other gains		**2,186**	14
Distribution and selling expenses		**(22,123)**	(24,329)
Administrative expenses		**(16,244)**	(12,859)
Loss on early redemption of promissory notes		**(20,502)**	–
Finance costs	*5*	**(10,554)**	(5,838)
Loss before taxation	*6*	**(36,855)**	(57)
Income tax expense	*7*	**(3,306)**	(700)
Loss for the period		**(40,161)**	(757)
Attributable to:			
Owners of the Company		**(40,161)**	(757)
		HK cents	HK cents
Basic and diluted loss per share	*8*	**(2.66)**	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period	**(40,161)**	(757)
Exchange difference on translation of financial statement of foreign operations	**147**	4,292
Total comprehensive income for the period	**(40,014)**	3,535
Attributable to:		
Owners of the Company	**(40,014)**	3,535

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	30 September 2009 (unaudited) HK$'000	31 March 2009 (audited) HK$'000
Non-current assets			
Property, plant and equipment	*10*	**119,247**	117,232
Prepaid lease payments		**6,082**	6,185
Intangible assets		**45**	65
Mining right	*11*	**260,015**	–
Deposits for acquisition of property, plant and equipment		**12,741**	10,028
		398,130	133,510
Current assets			
Inventories		**23,035**	25,592
Trade and bills receivables	*12*	**64,803**	64,347
Prepayments, deposits and other receivables	*13*	**127,253**	241,093
Financial assets at fair value through profit or loss		**444**	215
Pledged bank deposits		**–**	11,338
Bank balances and cash		**14,084**	23,958
		229,619	366,543
Current liabilities			
Trade payables	*14*	**16,486**	15,179
Other payables and accruals	*15*	**13,197**	16,546
Tax liabilities		**1,100**	2,432
Bank borrowings	*18*	**98,751**	109,070
		129,534	143,227
Net current assets		**100,085**	223,316
Total assets less current liabilities		**498,215**	356,826
Capital and reserves			
Share capital	*16*	**84,630**	70,572
Reserves		**314,740**	280,982
Total equity attributable to owners of the Company		**399,370**	351,554
Non-current liabilities			
Promissory notes	*17*	**86,859**	–
Bank borrowings	*18*	**9,818**	5,272
Deferred tax liabilities	*19*	**2,168**	–
		98,845	5,272
		498,215	356,826

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009 (unaudited)

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	PRC statutory reserve funds HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	70,572	497,831	92,926	3,286	26,005	(316,672)	373,948
Total comprehensive income for the period	–	–	–	–	4,292	(757)	3,535
At 30 September 2008	70,572	497,831	92,926	3,286	30,297	(317,429)	377,483
At 1 April 2009	70,572	497,831	92,926	3,286	24,735	(337,796)	351,554
Total comprehensive income for the period	–	–	–	–	147	(40,161)	(40,014)
Issue of shares	14,058	74,825	–	–	–	–	88,883
Expenses incurred in connection with the issue of shares	–	(1,053)	–	–	–	–	(1,053)
At 30 September 2009	**84,630**	**571,603**	**92,926**	**3,286**	**24,882**	**(377,957)**	**399,370**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	For the six months ended 30th September	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash from operating activities	**42,804**	8,195
Net cash (used in)/generated from investing activities	**(1,160)**	2,100
Net cash (used in)/generated from financing activities	**(51,286)**	21,194
Net (decrease)/increase in cash and cash equivalents	**(9,642)**	31,489
Cash and cash equivalents at the beginning of the period	**23,958**	80,239
Effect of foreign exchange rate changes	**(232)**	289
Cash and cash equivalents at the end of the period	**14,084**	112,017
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**14,084**	112,017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for buildings and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009, except for the impact of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2009.

HKFRSs (Amendments)	Improvement to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The application of HKFRS 8 *Operating Segments* resulted in a redesignation of the Group's reportable segments *(Note 3)*, but has had no impact on the reported results or financial position of the Group.

The application of HKAS 1 (Revised) *Presentation of Financial Statements* introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1 January 2010*

[4] *Effective for annual periods beginning on or after 1 February 2010*

[5] *Effective for annual periods beginning on or after 1 July 2010*

[6] *Effective for annual periods beginning on or after 1 January 2011*

[7] *Effective for annual periods beginning on or after 1 January 2013*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The management is in the process of making an assessment of the impact of these new standards, amendments and interpretation to existing standards. The directors of the Company so far has concluded that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Mining right

Mining right is stated at cost less accumulated amortisation and impairment losses. The mining right is amortised using the unit-of-production method based on the total proven and probable mineral reserves, which is reviewed at least at each balance sheet date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of mining right

The Group assesses whether there are any indicators of impairment for mining right at each reporting date. Mining right is tested for impairment when there are indicators that the carrying amount may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

Expected useful lives of mining right and mineral reserves

The Group's management has determined the estimated useful lives of its mining rights based on the proven and probable mineral reserves. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining right and the business license of respective mining subsidiary at minimal charges. Accordingly, the Group has used the proven and probable mineral reserves as a basis for estimation of the useful life of its mining right.

Amortisation rate is determined based on estimated proven and probable mineral reserve quantities with reference to the independent technical assessment report. The capitalized costs of the mining right are amortised using the unit-of-production method. Any change to the estimated proven and probable mineral reserves will affect the amortisation charge of the mining right.

Proven and probable mineral reserve estimates are updated at regular basis taking into account production and technical information about the mines. In addition, as prices and cost levels change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to amortisation rate.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performances. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risk and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. During the six months ended 30 September 2008 and the year ended 31 March 2009, the Group was not required to present segment information in accordance to HKAS 14 because the Group was only engaged in manufacture and sales of pharmaceutical products in the PRC and over 90% of the assets were situated in the PRC. The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

3. SEGMENT INFORMATION (Continued)

The Group's reportable segments under HKFRS 8 are therefore as follows:

– Manufacturing and sales of pharmaceutical products

– Exploration and sales of iron ore – acquired during the six months ended 30 September 2009 *(Note 20)*

(a) Business segment

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

Six months ended 30 September

	Manufacturing and sales of pharmaceutical products		Iron ore exploration operation		Consolidation	
	2009	2008	**2009**	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**69,618**	96,211	**-**	–	**69,618**	96,211
Total revenue	**69,618**	96,211	**-**	–	**69,618**	96,211
Segment results	**(2,212)**	9,978	**(1,401)**	–	**(3,613)**	9,978
Unallocated corporate expenses						
Operating loss of other segment					**(2,186)**	(4,197)
Loss on early redemption of promissory notes					**(20,502)**	–
Finance costs					**(10,554)**	(5,838)
Loss before taxation					**(36,855)**	(57)
Income tax expense					**(3,306)**	(700)
Loss for the period					**(40,161)**	(757)

3. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

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

	Manufacturing and sales of pharmaceutical products		Iron ore exploration operation		Total segment assets	
	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000	**30 September 2009 (Unaudited) HK$'000**	31 March 2009 (Audited) HK$'000	**30 September 2009 (Unaudited) HK$'000**	31 March 2009 (Audited) HK$'000
Property, plant and equipment	**118,931**	117,182	**280**	–	**119,211**	117,182
Mining right	**-**	–	**260,015**	–	**260,015**	–
Deposits for acquisition of property, plant and equipment	**12,741**	10,028	**-**	–	**12,741**	10,028
Bank balances and cash	**7,902**	22,154	**9**	–	**7,911**	22,154
Others	**118,139**	145,573	**807**	–	**118,946**	145,573
	257,713	294,937	**261,111**	–	**518,824**	294,937

(b) Geographical segment

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the six months ended 30 September 2009 and the year ended 31 March 2009, all of the Group revenue and over 90% of the assets were derived from operations in the PRC and accordingly, no details analysis of the Group's geographical segments for the six months ended 30 September 2009 and the year ended 31 March 2009.

4. 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 periods.

5. FINANCE COSTS

	For the six months ended 30 September	
	2009 (unaudited) HK$'000	2008 (unaudited) HK$'000
Imputed interest on promissory notes	**7,342**	–
Interest on bank loan repayable within 5 years	**3,212**	5,838
	10,554	5,838

6. LOSS BEFORE TAXATION

	For the six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**9,306**	10,724
Prepaid lease payments	**109**	149
Staff cost (including directors' remuneration)	**6,858**	9,163
Fair value change on financial assets at fair value through profit or loss	**(229)**	162
Total interest income on bank deposits and loans receivable	**(1,072)**	(3,876)

7. INCOME TAX EXPENSE

	For the six months ended	
	30 September	30 September
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current tax		
The PRC enterprise income tax	**1,138**	700
Deferred tax		
Promissory notes	**2,168**	–
	3,306	700

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

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at rate 25% (2008: 25%). Pursuant to the then relevant laws and regulations in the PRC, the qualified PRC subsidiaries were entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC income tax for the following three years. The first profit-making year of two PRC subsidiaries were the statutory financial year ended 31 December 2002 and 2005 respectively.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to the equity holders of the Company of approximately HK$40,161,000 (2008: HK$757,000) over 1,512,246,820 (2008: 1,411,440,590) ordinary shares of the Company in issue during the period.

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

9. DIVIDENDS

On 18 December 2009, no interim dividend was declared by the Company for the six months ended 30 September 2009 (2008: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has acquired property, plant and equipment of approximately HK$14,551,000 and disposed of approximately HK$39,688,000. Property, plant and equipment of approximately HK$296,000 were acquired through acquisition of subsidiaries during the period. *(Note 20)*

As at 30 September 2009, the Group has pledged certain of its buildings with an aggregate carrying amount of approximately HK$20,344,000 (As at 31 March 2009: approximately HK$20,826,000) and plant and machinery amounting to approximately HK$8,968,000 (As at 31 March 2009: approximately HK$11,915,000) to certain banks to secure the credit facilities grant to the Group.

11. MINING RIGHT

	HK$'000 (unaudited)
Cost	
At 1 April 2009	–
Acquired through acquisition of subsidiaries *(Note 20)*	260,015
At 30 September 2009	260,015
Amortisation	
At 1 April 2009 and 30 September 2009	–
Carrying amount	
At 30 September 2009	260,015

11. MINING RIGHT (Continued)

The mining right represents the right to conducting mining activities in Tumurtei, Khuder Soum, Selenge Aimag, Mongolia.

The mining right is amortised using the unit-of-production method based on the total proven and probable mineral reserves, under the assumption that the Group can renew the mining right indefinitely till all proven and probable mineral reserves have been mined.

No amortisation was provided for the six months ended 30 September 2009 as commercial production of the mine has not yet commenced during the period.

The management of the Company has assessed the recoverable amount of the mining right, which exceeds its carrying amount and therefore no impairment loss was recognised during the period.

12. TRADE AND BILLS RECEIVABLES

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Trade receivables	**73,306**	76,298
Less: accumulated impairment	**(14,351)**	(14,334)
	58,955	61,964
Bills receivable discounted/endorsed with recourse	**5,848**	2,383
	64,803	64,347

Payment terms with customers are mainly on credit. Invoices are normally settled within 90 days to 180 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables, net of impairment losses, and bills receivable discounted/endorsed with recourse at the respective reporting date:

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
0 to 90 days	**37,150**	39,722
91 to 180 days	**16,393**	15,629
181 to 365 days	**7,487**	8,054
1 to 2 years	**3,773**	942
	64,803	64,347

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Amount receivable on disposal of associates *(note)*	**82,000**	135,000
Deposits paid	**20,273**	70,248
Loan receivable	**–**	21,611
Prepayments	**7,164**	2,633
Other receivables	**17,597**	11,382
Prepaid lease payments	**219**	219
	127,253	241,093

Note: During the year ended 31 March 2008, the Group has disposed of the interest in associates for a total consideration of HK$180,000,000. The amount was the outstanding part of last installment receivable from the acquirer. On 22 July 2009, the Group entered into an extension agreement to extend the payment date of the outstanding part of last installment to January 2010.

14. TRADE PAYABLES

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Trade payables	**16,486**	15,179

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

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
0 to 90 days	**10,812**	10,085
91 to 180 days	**1,262**	1,266
181 to 365 days	**2,481**	2,519
Over 365 days	**1,931**	1,309
	16,486	15,179

The average credit period on purchases is 3 months (31 March 2009: 3 months)

15. OTHER PAYABLES AND ACCRUALS

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Value-add tax payables	**1,335**	1,680
Receipts in advance	**1,510**	1,876
Accruals	**4,623**	5,060
Other payables	**5,729**	7,930
	13,197	16,546

16. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary share of HK$0.05 each		
At 1 April 2009 and 30 September 2009	10,000,000,000	500,000
Issued and fully paid:		
Ordinary share of HK$0.05 each		
At 1 April 2009	1,411,440,590	70,572
Placing of shares *(note i)*	88,500,000	4,425
Issue of subscription shares *(note ii)*	192,660,000	9,633
At 30 September 2009 (unaudited)	**1,692,600,590**	**84,630**

Notes:

(i) The Company placed 88,500,000 ordinary shares of HK$0.05 each at a placing price of HK$0.397 per share. The ordinary shares of 80,000,000 shares and 8,500,000 shares were issued on 23 June 2009 and 29 June 2009 for the purpose of increasing general working capital for the Group. The new share rank pari passu with the existing shares in all respects.

16. SHARE CAPITAL (Continued)

(ii) On 21 July 2009, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 111,660,000 shares in cash at the subscription price of HK$0.3 per share. For details, please refer to the Company's announcement dated 21 July 2009. The ordinary shares of 111,660,000 were issued on 24 July 2009 for the purpose of increasing general working capital for the Group. The new share rank pari passu with the existing shares in all respects.

On 24 August 2009, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 81,000,000 shares in cash at the subscription price of HK$0.25 per share. For details, please refer to the Company's announcement dated 24 August 2009. The ordinary shares of 81,000,000 were issued on 7 September 2009 for the purpose of increasing general working capital for the Group. The new share rank pari passu with the existing shares in all respects.

17. PROMISSORY NOTES

On 3 June 2009, the Group issued promissory notes in a total principal amount of HK$230,000,000 due and repayable in full on 15 months from date of issue. The promissory notes were issued for acquiring the entire interest in Tian Sheng Resources Development Limited ("Tian Sheng") and bear zero coupon rate. *(Please refer to Note 20)*. The effective interest rate is 17%.

	HK$'000 (unaudited)
At 1 April 2009	–
Fair value of promissory notes *(note i)*	189,015
Interest charged *(Note 5)*	7,342
Early redemption of promissory notes *(note ii)*	(109,498)
At 30 September 2009	**86,859**

Notes:

(i) The fair value of the promissory notes issued have been arrived on the basis of a valuation carried out on the completion date of the acquisition by B.I. Appraisals Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to discounted cash flow method.

17. PROMISSORY NOTES (Continued)

(ii) Pursuant to the terms in relation to the issuance of promissory notes, the Group has the right to early redeem the promissory notes. The Group may redeem the whole or any part of the outstanding principal amount of the promissory notes at any time prior to the maturity date of the promissory notes, with given written notice to the holders of the notes not less than seven days prior to the specific date of redemption (to the extent the holder being located and such notice served).

During the period ended 30 September 2009, the Group repaid at principal amount of HK$10,000,000, HK$70,000,000 and HK$50,000,000 on 8 July 2009, 23 July 2009 and 30 July 2009 respectively.

18. BANK BORROWINGS

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Bank borrowings		
– secured	**85,868**	91,667
– unsecured	**22,701**	22,675
	108,569	114,342
The borrowings are repayable as follows:		
Within one year	**98,751**	109,070
In the second year	**9,818**	5,272
	108,569	114,342
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(98,751)**	(109,070)
Amount due for settlement after 12 months	**9,818**	5,272
Borrowings at:		
– floating rate	**43,132**	48,356
– fixed interest rate	**65,437**	65,986
	108,569	114,342

18. BANK BORROWINGS (Continued)

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

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

	At 30 September 2009 (unaudited)	At 31 March 2009 (audited)
Bank borrowings	**5.58%-7.66%**	5.8%-9.0%

Bank borrowings were secured by property, plant and equipment of approximately HK$29,312,000 and prepaid lease payments of approximately HK$6,301,000.

19. DEFERRED TAX LIABILITIES

	Promissory notes HK$'000 (Unaudited)
At 1 April 2009	–
Issue of promissory notes	6,763
Credited to consolidated income statement for the period	(1,212)
Reversal of deferred tax liabilities due to early redemption of promissory notes	(3,383)
At 30 September 2009	**2,168**

20. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 3 December 2008, 5 January 2009 and 2 February 2009, the Group has entered into a conditional sale and purchase agreement and supplemental agreements to acquire the entire issued share capital in Tian Sheng. The main asset of Tian Sheng is the entire equity interest in a Mongolia subsidiary, Khuderbold LLC ("Khuderbold") (collectively referred to as "Tian Sheng Group"), which principally engaged in conducting mining work for iron resources in Mongolia at consideration of HK$300,000,000. The consideration was satisfied by (i) HK$70,000,000 in cash and (ii) HK$230,000,000 by the Company's issue (through a wholly-owned subsidiary) to Boa Fung Investments Limited of promissory notes. The acquisition was completed on 3 June 2009.

Tian Sheng and Khuderbold have not carried out any significant business transactions since their incorporation. In the opinion of the directors, the acquisition did not constitute an acquisition of business which the Group principally acquired the mining right through the acquisition. Therefore, the acquisition was not accounted for as a business combination in accordance with the requirements of HKFRS 3 Business Combinations.

20. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the identifiable assets and liabilities acquired in the transaction are as follows:

	HK$'000 (unaudited)
Net assets acquired:	
Property, plant and equipment	296
Mining right	260,015
Prepayments, deposits and other receivables	102
Cash and bank balances	3
Other payables and accruals	(1,401)
Amount due to a former shareholder	(66,100)
Fair value of net assets	192,915
Assignment of amount due to a former shareholder	66,100
	259,015
Satisfied by:	
Cash	70,000
Promissory notes, at fair value *(Note 17)*	189,015
	259,015
Net cash outflow arising on the acquisition:	
Cash consideration paid	(70,000)
Cash and bank balances acquired	3
	(69,997)

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2009.

22. CAPITAL COMMITMENTS

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

	At 30 September 2009 (unaudited) HK$'000	At 31 March 2009 (audited) HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**5,269**	15,544

23. EVENT AFTER THE END OF THE REPORTING PERIOD

(i) On 24 October 2009, the Group entered into a conditional sale and purchase agreement to acquire 55% of the entire issued share capital of the PT. Dampar Golden International ("PT. Dampar") at an aggregate consideration of HK$566,500,000, which shall be satisfied as to (i) HK$30,750,000 as a refundable deposit payable in cash from internal resources of the Group and/or third party financing and (ii) HK$546,750,000 by the Group procuring the Company to issue the convertible note to the vendor. For further details, please refer to the Company's announcement dated 3 November 2009.

(ii) On 6 November 2009, the Company entered into the placing agreement with an independent third party, pursuant to which the Company has conditionally agreed to place, through the independent third party on a best effort basis, up to 320,000,000 shares to not fewer than six placees at a price of HK$0.26 per placing share. For details, please refer to the Company's announcement dated 8 November 2009. Ordinary shares of 88,000,000 were issued on 24 November 2009 for the purpose of increasing general working capital for the Group. The new share rank pari passu with the existing shares in all respects.

24. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Key management compensation		
Short-term benefits	**160**	1,562
Post employment benefits	**–**	18
	160	1,580
Interest income on loans to a company controlled by a former director *(note)*	**–**	(2,565)

Note: The former director is Mr. Zhou Yu Kang, who resigned on 17 December 2008.