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 INVOLVING ISSUE OF ZERO COUPON CONVERTIBLE NON-REDEEMABLE NOTE

Financial Adviser to Asia Resources Holdings Limited

KTG

Karl Thomson Financial Advisory Limited

A notice convening the SGM of the Company to be held Plaza 3, Lower Lobby, Novotel Century Hotel Hong Kong, No. 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 2 September 2010 at 11:00 a.m. (or immediately following the conclusion of the annual general meeting of the Company which has been convened to be held at 10:30 a.m. on the same date and at the same place) 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.

* *For identification purpose only*

16 August 2010

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 24 October 2009 entered into between the Purchaser, the Vendor and the Guarantor for the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BKPM"	*Badan Koordinasi Penanaman Modal* (the Investment Coordination Board) of the Republic of Indonesia which authorize to issue approval for direct investment in Indonesia by foreign parties
"Business Day"	a day (other than a Saturday, a Sunday or a day on which a typhoon signal No.8 or black rainstorm warning is hoisted in Hong Kong at 10:00 a.m.) on which banks are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Asia Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition
"Completion Date"	the third Business Day after fulfillment or waiver by the Purchaser of the Conditions or such other date as the parties may agree in writing
"Condition(s)"	the conditions precedent for completion of the Acquisition Agreement
"connected person"	has the meaning ascribed to it in the Listing Rules
"Consideration"	the consideration payable by the Purchaser for the Acquisition, being the sum of HK$577,500,000
"Conversion Price"	the conversion price of the Convertible Note was originally set at HK$0.22 per Conversion Share (subject to adjustments) and has been adjusted to HK$0.1863 per Conversion Share after the Open Offer, credited as fully paid

"Conversion Shares"	2,934,782,608 new Shares to be issued upon exercise of the conversion rights attaching to the Convertible Note based on the adjusted conversion price of HK$0.1863 per Share after taking into account the effect of the Open Offer
"Convertible Note"	the 7-year zero coupon convertible non-redeemable note in a principal amount up to HK$546,750,000 to be issued by the Company at an adjusted conversion price of HK$0.1863 per Conversion Share in favour of the Vendor or its nominee(s) to satisfy part of the Consideration
"Deed of Establishment"	the deed of establishment of the Target Company which contains its articles of association
"Deposit"	a refundable deposit of HK$30,750,000 to be paid by the Purchaser to the Vendor under the Acquisition Agreement
"Director(s)"	the directors of the Company
"Enlarged Group"	the Group as enlarged immediately after completion of the Acquisition
"Entire Mining Area"	the mining area located in Lumajang, East Java, Indonesia with the total area of 8,495.6 hectares
"First Placing"	the placing of up to 320,000,000 new Shares at a price of HK$0.26 per Share pursuant to the terms of the First Placing Agreement
"First Placing Agreement"	the conditional placing agreement dated 6 November 2009 entered into between the Company and Hani Securities (H.K.) Limited in relation to the First Placing
"Group"	the Company and its subsidiaries
"Guarantor" or "Mr. Lam"	Mr. Lam Chong San, an Independent Third Party
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	the independent third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected persons (as defined under the Listing Rules)
"Indo"	PT. Indo Modern Mining Sejahtera, an Independent Third Party and a beneficial owner of 40% of the entire issued share capital of the Target Company

"Iron-Sand Deposit"	an iron-sand deposit located in Propinsi Jawa Timur, Indonesia and covering a site area of approximately 1,195 hectares
"IUP Exploration"	the mining business licence *(Ijin Usaha Pertambangan – IUP)* for exploration issued by the Head of Regency of Lumajang, East Java, Indonesia, under which Indo is licensed to conduct exploration and feasibility study in the Entire Mining Area
"IUP Production and Operation"	the mining business licence *(Ijin Usaha Pertambangan – IUP)* for production and operation issued by the Head of Regency of Lumajang, East Java, Indonesia, under which Indo is licensed to conduct construction, mining, processing and refining activities in the Entire Mining Area, transporting and selling as well as post mining activities
"IUP Transportation and Trading"	the mining business licence for transportation, sale and trading of mining commodities issued by the competent authority(ies) in Indonesia, under which the Target Company is licensed to conduct business activities such as trading, transportation and export of mining products of the Mining Area
"Last Trading Day"	23 October 2009, being the last trading day immediately before the date of the Acquisition Agreement
"Latest Practicable Date"	11 August 2010, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2010 (or such later date as the Vendor and the Purchaser may agree in writing)
"Mining Area"	the mining area located in Lumajang, East Java, Indonesia and covering a site area of at least 1,195 hectares where the Iron-Sand Deposit is located, which is a part of the Entire Mining Area
"MLHR"	the Ministry of Law and Human Rights of the Republic of Indonesia
"Noteholder(s)"	the person(s) whose name appears in the register as the holder(s) of the Convertible Note for the time being
"Offer Share(s)"	1,015,300,295 new Shares offered to the Shareholders qualifying to the Open Offer pursuant to the terms of the Open Offer

"Open Offer"	the issue of the Offer Shares at the price of HK$0.13 per Offer Share on the basis of one Offer Share for every two Shares held on 23 March 2010 as announced by the Company on 4 March 2010
"Placing Agreements"	collectively the First Placing Agreement and the Second Placing Agreement
"Power of Attorney"	the Deed of Statement and Power of Attorney dated 12 September 2009 and made between Indo and the Target Company, pursuant to which, Indo grants exclusive rights and authorities to the Target Company to manage and arrange all activities in the Mining Area on behalf of Indo
"PRC"	the People's Republic of China
"Previous Acquisition"	the acquisition of Khuderbold LLC as disclosed in the announcement of the Company dated 2 February 2009
"Project"	means all mining activities within the Mining Area, including but not limited to the exploration, development, exploitation, production, sale and transportation of the mining products of the Mining Area.
"Purchaser"	Mighty Kingdom Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Sale Shares"	55,000 shares in the Target Company held by the Vendor, representing 55% of the entire issued share capital of the Target Company
"Second Placing"	the placing of up to 250,000,000 new Shares at a price of HK$0.196 per Share pursuant to the terms of the Second Placing Agreement
"Second Placing Agreement"	the conditional placing agreement dated 8 February 2010 entered into between the Company and Luen Fat Securities Company Limited in relation to the Second Placing
"Services Agreement"	the services agreement entered into amongst Indo, the Target Company, shareholders of Indo and Mr. Lam Chong San dated 26 March 2010 in relation to the appointment of the Target Company by Indo to provide services for all the mining activities within the Mining Area according to the terms and conditions set out therein

"SGM"	a special general meeting of the Company to be convened and held on Thursday, 2 September 2010 to approve the Acquisition Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary shares of HK$0.05 each in the capital of the Company and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company" or "PT Dampar"	PT. Dampar Golden International, a company incorporated in Indonesia and beneficially owned by the Vendor as to 60% and Indo as to 40%
"Vendor"	Empire Bridge Assets Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by the Guarantor
"Working Day"	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Indonesia
"HK$"	Hong Kong dollars
"RMB"	Renminbi
"US$"	United States dollars
"%"	per cent.

For illustration purpose of this circular, the exchange rate of US$ to HK$ 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 Directors:
Mr. Chim Kim Lun, Ricky
Mr. Chan Sung Wai
Mr. Chan Hau Kong
Mr. Wong King Lam, Joseph
Mr. Danny Sun
Ms. Lee Yang

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

16 August 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION INVOLVING ISSUE OF ZERO COUPON CONVERTIBLE NON-REDEEMABLE NOTE

INTRODUCTION

On 24 October 2009 the Company announced that the Purchaser, the Vendor and the Guarantor entered into the Acquisition Agreement whereby the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares at an aggregate consideration of HK$577,500,000, 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 Purchaser procuring the Company to issue the Convertible Note to the Vendor or its nominee(s) on Completion.

The purpose of this circular is to provide you with (i) further details of the Acquisition; and (ii) the notice of the SGM to the Shareholders and other information in compliance with the requirements of the Listing Rules.

* *For identification purpose only*

THE ACQUISITION

The Acquisition Agreement

Date: 24 October 2009

Parties:

Purchaser: Mighty Kingdom Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

Vendor: Empire Bridge Assets Limited, a company incorporated in the BVI with limited liability, and wholly and beneficially owned by the Guarantor.

Guarantor: Mr. Lam Chong San, an Independent Third Party. Under the Acquisition Agreement, the Guarantor guarantees to the Purchaser the due and punctual payment and performance of the Vendor under the Acquisition Agreement subject to and upon the terms and conditions of the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor, its ultimate beneficial owner and the Guarantor is an Independent Third Party. Save for the entering into of a non-legally binding memorandum of understanding between the Purchaser and the Guarantor in relation to the Acquisition as disclosed in the announcement of the Company dated 24 July 2009, there are no other prior and/or continuing businesses/transactions entered into between each of the Vendor and its ultimate beneficial owner with the Company, its connected persons and associates.

Assets to be acquired

The Sale Shares represent 55% of the entire issued share capital of the Target Company. Upon Completion, the Purchaser will own 55% of the entire issued share capital in the Target Company. The remaining 45% of the entire issued share capital of the Target Company will be owned by Indo, an Independent Third Party, as to 40% and the Vendor as to 5%. The Vendor has no business activity save and except that it has full and irrevocable authority to act for and on behalf of Indo in all business relating to the Mining Area. Indo is beneficially owned by the Guarantor and principally engaged in mining business in Indonesia as well as the business of trading of unprocessed iron ores in small quantity. The Target Company holds the Power of Attorney from Indo to exclusively manage, refine and sell the iron sand at the Mining Area.

Details of the Target Company and the Mining Area are set out in the section headed "Information of the Target Company" and "Information of the Mining Area" on pages 21 and 32 of this circular respectively.

Consideration

The Consideration of HK$577,500,000 was arrived at after arm's length negotiations among the parties to the Acquisition Agreement and was determined after taking into account: (a) the valuation report on the fair market value of the Target company issued by Norton Appraisals Limited, the independent professional valuer appointed by the Purchaser; (b) the technical report issued by Wardrop Engineering Inc., the technical adviser appointed by the Purchaser containing, amongst other things, the estimate reserve and resources of iron sand in the Mining Area; and (c) the potential revenue to be derived by the Target Company from the sale of the iron sand and/or any related products under the management agreement to be executed between the Target Company and Indo.

The Consideration shall be satisfied in the following manner:

(a) as to HK$30,750,000 as a refundable Deposit payable in cash by the Purchaser to the Vendor or its nominee(s) from internal resources of the Group and/or third party financing within seven days after successful placement of new Shares by the Company for fund raising purposes which shall occur on or before Completion. The Deposit shall be applied towards satisfaction in full of the cash portion of the Consideration payable by the Purchaser to the Vendor for the Sale Shares; and

(b) as to HK$546,750,000 by the Purchaser procuring the Company to issue the Convertible Note to the Vendor or its nominee(s) on Completion;

provided that any conversion of the Convertible Note shall not result in the Noteholder(s) and the parties acting in concert with it/them being interested (whether directly or indirectly) in 29.99% or more of the then issued share capital of the Company at the date of the relevant exercise and trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder(s) and the parties acting in concert with it/them who exercised the conversion right.

Conditions precedent

The respective obligations of the parties to effect completion of the sale and purchase of the Sale Shares in accordance with the Acquisition Agreement shall be conditional upon the following conditions being fulfilled:

(i) the passing by the Shareholders of a resolution to approve the Acquisition Agreement, the issue of the Convertible Notes, the allotment and issue of the Conversion Shares and the transactions contemplated thereunder at the SGM in accordance with the Listing Rules;

(ii) the Stock Exchange not treating (a) the transactions contemplated under the Acquisition Agreement as a "reverse takeover" under Rule 14.06(6) of the Listing Rules and/or (b) the Company as a new listing applicant under Rule 14.54 of the Listing Rules;

(iii) the obtaining of approval from the MLHR for the establishment of the Target Company;

(iv) the obtaining of approval from the Head of BKPM for the amendments to the Target Company's foreign investment approval. The amendments should cover, among other things: (a) shareholders and shareholding composition of the Target Company as a result of the Acquisition Agreement, and (b) amendment to the scope of business activities of the Target Company, to reflect the general business consulting;

(v) the obtaining of valid licences by Indo for operation and production in relation to the Mining Area;

(vi) the due diligence investigation on the Target Company and the IUP Exploration of Indo to be carried out pursuant to the Acquisition Agreement having been completed to the satisfaction of the Purchaser in its absolute discretion including but not limited to the issue of a legal opinion in form and substance satisfactory to the Purchaser by a practising lawyer in Indonesia appointed by the Purchaser confirming, inter alia, the following:

(a) the due incorporation, shareholding structure, valid and continued existence of the Target Company and Indo (including payment of its share capital in accordance with Indonesian laws and its articles of association, to the extent required);

(b) the validity of the IUP Exploration obtained by Indo to conduct exploration and feasibility study of iron ores at the Entire Mining Area;

(c) that the IUP Exploration gives Indo the valid rights to explore and conduct feasibility study at the Entire Mining Area in accordance with its terms and Indo has complied with all of the requirements under the IUP Exploration;

(d) all relevant approvals, licenses, registrations, confirmation and/or permits for the Target Company to conduct general business consulting (including consultation relating to the operation in the Mining Area) as required under the prevailing regulations in the Republic of Indonesia, or as may be deemed necessary by the Purchaser to ensure that the performance by the Target Company under the Power of Attorney will not be classified as mining activities or mining services;

(e) all relevant approvals, consents, licenses, registrations and/or permits in relation to the transactions contemplated by the Power of Attorney and the Acquisition Agreement for the Target Company to carry on business at the Mining Area having been obtained;

(vii) approval, ratification and confirmation from the general meeting of shareholders of the Target Company (which is to be held as soon as the Target Company has obtained its status as legal entity (i.e. the obtaining of approval from MLHR on the Deed of Establishment), regarding: (i) the transfer of Sale Shares under the Acquisition Agreement (as required under Article 7 paragraph 3 of the Deed of Establishment); (ii) the Power of Attorney from Indo (and any of its amendment); and (iii) all terms, conditions, representations, warranties and undertakings to which the Target Company is bound as contemplated in the Acquisition Agreement;

(viii) execution of a power of attorney or agreement between the Target Company and Indo in relation to the amendment of the Power of Attorney and appointment of the Target Company by Indo, or the granting of powers and authorities from Indo to the Target Company to provide general business consulting (including consultation relating to the operation of mining activities in the Mining Area on behalf of Indo), in the form and substance agreed by the Purchaser;

(ix) execution of a management agreement between the Target Company and Indo in relation to the management and operation by the Target Company of the mining activities in the Mining Area, containing the provisions, among the others, (a) Indo grants an exclusive and irrevocable right to the Target Company to manage the Mining Area; (b) Indo agrees that all profit derived from the sale of the iron ores and/or any related products shall belong to the Target Company; and (c) Indo shall compensate the Target Company HK$1,050,000,000 in the event of any breach of any terms in the management agreement by Indo, in the form and substance agreed by the Purchaser;

(x) receipt by the Purchaser of the certified copies of the following documents:

(a) the Deed of Establishment including all licenses and permits obtained by the Target Company;

(b) the constitutional document and/or identity of the Vendor and the Guarantor;

(c) the register of shareholders of the Target Company;

(d) the resolutions of the general meeting of the shareholders of Indo approving the terms of, and the transactions contemplated by, the Power of Attorney and/or any document and/or any amendments thereto as may be required authorising the Target Company to carry out general business consulting to Indo in relation to the operation in the Mining Area;

(xi) all consents of the Stock Exchange and the Securities and Futures Commission (if necessary) and all filings with any relevant governmental or regulatory authorities and other relevant third parties which are required or appropriate for the entering into and the implementation of the Acquisition Agreement having been given or made; and all applicable statutory or other legal obligations having been complied with;

(xii) receipt by the Purchaser to its satisfaction and in its sole discretion of a valuation report on the fair market value of the Iron-Sand Deposit issued by an independent professional valuer appointed by the Purchaser showing the value of the reserves and resources of the Iron-Sand Deposit to be not less than HK$1,300,000,000;

(xiii) receipt by the Purchaser to its satisfaction and in its sole discretion of a technical report issued by a technical adviser appointed by the Purchaser with respect to the Iron-Sand Deposit as required under Rule 18.09 of the Listing Rules;

(xiv) the Company successfully obtaining financing from third parties and from internal resources for the purpose of satisfying the Consideration;

(xv) the warranties in the Acquisition Agreement remaining true, accurate and correct in all material respects and at all times between the date of the Acquisition Agreement and the Completion Date;

(xvi) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares; and

(xvii) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Conversion Shares.

If the Conditions have not been fulfilled (or waived by the Purchaser except that Conditions (i), (ii), (iii), (iv), (ix), (x), (xi), (xii), (xiii), (xiv), (xvi) and (xvii) cannot be waived in any event) on or before 5:00 p.m. on the Long Stop Date (or such later date as the Vendor and the Purchaser may agree in writing) and the Purchaser gives notice to terminate the Acquisition Agreement, the Acquisition Agreement shall thereupon terminate, and if the Purchaser shall have paid the Deposit, the Vendor shall refund the Deposit in full without interest to the Purchaser within two (2) Business Days next following the Long Stop Date. On termination of the Acquisition Agreement, the parties to the Acquisition Agreement shall have no further claims against the other under the Acquisition Agreement for costs, damages compensation or otherwise, save for antecedent breaches.

As at the Latest Practicable Date, conditions (ii), (iii), (v), (vii), (viii), (ix), (xii), (xiii), (xiv) and (xvii) have been fulfilled.

Completion

Completion shall take place on the Completion Date after the fulfillment or, where applicable, waiver of the conditions precedent to the Acquisition Agreement or such other date as the Vendor and Purchaser may agree in writing.

After Completion, the Target Company will become a subsidiary of the Company. The financial statements of the Target Company will be consolidated in the accounts of the Group after Completion.

Post-Completion Undertaking

Under the terms of the Acquisition Agreement, the Vendor and the Purchaser have undertaken with each other that immediately after Completion, the Vendor shall lend and shall procure Indo to lend, and the Purchaser shall lend, such sums of money equivalent to HK$35,000,000 in total to the Target Company in proportion to their respective shareholdings in the Target Company on terms set out below:

(a) the shareholders' loan shall be interest free, unsecured and with no fixed date of repayment; and

(b) the shareholders' loan shall be repaid as and when unanimously agreed by all shareholders of the Target Company.

The shareholders' loan is intended to be used by the Target Company for the construction of a iron sand processing factory in Indonesia.

The Purchaser has not committed to pay any further cost or contribution upon Completion under the Acquisition Agreement other than the Consideration, post-completion funding of HK$19.25 million, being 55% of HK$35 million, and legal and professional costs.

CONVERTIBLE NOTE

The Consideration is to be partly satisfied by the Purchaser procuring the Company to issue the Convertible Note in an aggregate principal amount of HK$546,750,000 to the Vendor or its nominee(s) on Completion. The 2,934,782,608 Conversion Shares to be allotted and issued at the Conversion Price represent (i) approximately 96.35% of the existing issued share capital of the Company and (ii) approximately 49.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, assuming full conversion of the Convertible Note at the Conversion Price.

The terms of the Convertible Note have been negotiated on arm's length basis and the principal terms of which are summarised below:

Issuer: The Company

Principal Amount: HK$546,750,000

Maturity: A term of seven years from the date of issue of the Convertible Note.

Interest: The Convertible Note shall not bear any interest whatsoever.

Redemption: The Convertible Note is not redeemable by the Noteholder or the Company.

Conversion Price: The Conversion Price originally set at HK$0.22 per Share, is subject to adjustments, provided that the Conversion Price shall not be less than the par value of the Share. The adjustments for the Conversion Price include the followings:

(i) an alteration of the nominal amount of the Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such);

(iv) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or grant of options or warrants to subscribe for or purchase any Shares, in each case at less than 90% of market price on the last dealing day preceding date of the announcement of the terms of the issue or grant;

(v) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all Shareholders as a class by way of rights, or grant of options or warrants to subscribe for or purchase any securities;

(vi) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vii) a modification of the rights of conversion, exchange or subscription attaching to any securities so that the consideration per Share is less than 90% of the market price on the date of the announcement of the proposals for such modification; and

(viii) where the Company or the Noteholder considers that it would be appropriate for an adjustment to be made to the Conversion Price in the circumstances other than those referred to in (i) to (vii) above.

On 20 April 2010, the Company announced that the Open Offer had become unconditional. As a result, the Conversion Price has been adjusted to HK$0.1863 per Conversion Share upon the agreement between the Vendor and the Purchaser.

Save for the Open Offer, there were no other events which would result in the adjustment for the Conversion Price as at the Latest Practicable Date.

The Conversion Price may not be reduced so that, on conversion of Convertible Note, Shares would fall to be issued at a discount to their par value.

The Conversion Price represents (i) a discount of approximately 17.93% to the closing price of HK$0.227 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 12.94% to the average closing price of HK$0.214 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 10.00% to the average closing price of HK$0.207 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 57.88% to the closing price of HK$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Conversion: No fraction of a Share shall be issued on conversion and no amount in lieu thereof shall be refunded to the Noteholder. Any conversion shall be made in the amount of HK$1,000,000 or the multiples thereof and if any time, the outstanding principal amount of the Convertible Note shall be less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Note shall be convertible.

The Company shall not allot and issue Shares to the Noteholder nor shall the Noteholder be permitted to convert the Convertible Note (or parts thereof) if upon such allotment and issue or conversion (as the case may be), the Noteholder and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.99% or more of the then issued share capital of the Company at the date of the relevant exercise or cause the public float of the Company unable to meet the requirements under the Listing Rules. If the conversion of the Convertible Note will result in the Noteholder and the parties acting in concert with it being interested in 29.99% or more of the issued share capital of the Company or cause the public float of the Company unable to meet the requirements under the Listing Rules, the Noteholder may only exercise its right of conversion after disposing part of the Shares then held by it.

Transferability: The Convertible Note may not be transferred unless prior written notice to that effect has been given to the Company and/or to such other party as may be designated and notified to the Noteholder by the Company from time to time. The Convertible Note may not be transferred by the Noteholder, without the prior written consent of the Company, to any connected person (as defined in the Listing Rules) of the Company.

Ranking: The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue as at the date of the allotment and issue of the Conversion Shares.

Status of Convertible Note:	The Convertible Note constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and will rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
Voting rights:	The Noteholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being a Noteholder.
Application for listing:	No application will be made by the Company for a listing of the Convertible Note. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

As at the Latest Practicable Date, save for the Convertible Note, no convertible bonds or convertible securities have been issued by the Company.

SERVICES AGREEMENT

On 26 March 2010, Indo, the Target Company, the shareholders of Indo and Mr. Lam Chong San entered into the Services Agreement pursuant to which, Indo has irrevocably appointed the Target Company on an exclusive basis to provide services for all the mining activities within the Mining Area, including but not limited to the exploration, development, exploitation, production, sale and transportation of the mining products of the Mining Area. Set out below is a summary of the major principal terms of the Services Agreement.

Date	:	26 March 2010
Parties	:	PT Indo Modern Mining Sejahtera, the Target Company, shareholders of Indo, namely Ms. Vita Alfiana and Mr. Muhlis, and Mr. Lam Chong San, as guarantors.
Term	:	It takes effect upon signing of the Services Agreement and shall continue during the term of the IUP Exploration and the IUP Production and Operation, including their respective extensions (whichever the latest).
Services	:	The Target Company shall provide the following services on behalf of Indo:

(a) to search or bid, perform any tender or bid (if necessary) and appoint parties or mining services companies that can provide mining services to Indo within the Mining Area such as carrying out exploration, construction, preparing feasibility studies, technical and financial studies and reports and surveys, preparing development plans, work plans and budgets, determining optimum locations for areas to be mined, determining the rate of mining, reviewing and determining specifications for and procuring all items of plant and equipment which the Target Company considers necessary or desirable for mining, processing, upgrading and procuring transportation, as well as appoint consultants and agents to provide such technical, commercial or professional services that the Target Company may consider necessary or desirable for the successful implementation of the Project;

(b) to negotiate the terms and conditions and arrange all contracts and agreements on behalf of Indo with third parties which the Target Company considers to be necessary or desirable in connection with the Project;

(c) to sign any and all related contracts and agreements that are deemed fit by the Target Company, as attorney of Indo (the power of attorney of which is irrevocable granted therein by Indo to the Target Company), related to the Project;

(d) to recommend and if necessary, when dealing with any prospective purchaser of the mining products, determine the appropriate selling price for the iron ore and/or any products produced from the Mining Area; and

(e) to do any other activities that are necessary for the completion of the Project and the development of the Mining Area.

For the purpose of carrying out the Project, the Target Company shall have rights to solely and exclusively arrange the Project, including but not limited to the right to:

(i) enter into any contract or agreement, on behalf of Indo, with contractor or any other party which in the Target Company's opinion is qualified and/or has fulfilled all the requirements the Target Company thinks fit to perform the works addressed in the relevant contracts or agreements, including to operate certain mining activities or to provide any mining services in the Mining Area, to build any supporting facilities to support mining operation in the Mining Area, to construct and/or to operate the port to be built and to transport the iron ore and/or any products from the Mining Area into another area designated by the Target Company; and

(ii) agree on the terms and conditions to contracts and agreements, including the fee of the contractors and the terms of payment, which in the sole opinion and discretion of the Target Company are appropriate.

Indo irrevocably and unconditionally agrees that if it is deemed necessary by the Target Company to obtain a specific or separate power of attorney to enable the Target Company to perform any services in the Services Agreement, Indo shall immediately sign and deliver such power of attorney in favour of the Target Company or any party appointed by it.

Arranger fee : As remuneration for the provision of the services rendered by the Target Company, Indo shall cause the Target Company to receive a fee (hereinafter referred to as "the Arranger Fee") equal to the full amount of the net profits of Indo deriving from the Project, being the gross receipts of the Project after tax less operating costs of the Project (including costs of consumables, fees, expenses, repairs, replacements, insurance premiums, salaries, wages and consultants' fees) and interest costs on borrowings from the Target Company or its affiliates or other third parties for operation and implementation of the Project.

Compensation : Should there be any breach or alleged breach by Indo and/or any of the shareholders of Indo and the Guarantor of any warranties, representations, undertakings, obligations or terms under the Services Agreement and the Power of Attorney, including, without limitation, the situation where rights and powers granted by Indo under the Services Agreement and any power of attorney given therein are revoked or of no further effect or has lesser effect than the parties are intended, Indo agrees to compensate the Target Company in the amount of HK$1,050 million, without any deduction, regardless of the actual amount or calculation of any loss suffered by the Target Company and any expected profits it shall receive related to the Services Agreement during the term, no later than 10 Working Days upon the date of the written demand from the Target Company.

The parties to the Services Agreement agree that the sum of compensation of HK$1,050 million is determined by arms-length negotiation between the parties on normal commercial terms and is fair and reasonable after taking into account the interests of each of the parties.

Guarantee : The Guarantor irrevocably and unconditionally:-

(a) guarantees to the Target Company as principal obligor and not merely as surety the due and punctual payment and performance of Indo and its shareholders of all sums payable and obligations due under the Services Agreement as and when the same fall due or are required to be done;

(b) guarantees to the Target Company as principal obligor and not merely as surety the due and punctual performance by Indo and its shareholders of all other acts, covenants and obligations to be performed, given or observed by them under the Services Agreement; and

(c) undertakes to keep the Target Company fully and effectually indemnified against all losses, damages, costs, claims and expenses whatsoever arising out of or in connection with any failure on the part of Indo and its shareholders to effect due and punctual payment of any sum as aforesaid or to perform or observe all or any of the other acts, covenants and obligations aforesaid.

The amount of compensation of HK$1,050 million under the Services Agreement was determined by arm's length negotiation between the parties on normal commercial terms with reference to the Consideration payable by the Purchaser for the Sale Shares, being HK$577,500,000. If Indo is in breach of the Services Agreement (e.g. the rights granted by Indo to the Target Company is revoked or of no further effect), this would adversely affect the Company's interests and Indo shall compensate the Company through the Purchaser in an amount equivalent to the Consideration. As such, the Target Company shall receive compensation in the amount of HK$1,050 million and then distribute and pay such compensation to its shareholders according to their shareholding ratios in the Target Company whereupon the Purchaser will be distributed and paid HK$577,500,000 for its 55% interests in the Target Company. Given that the Company shall be entitled to receive compensation equivalent to the amount of the Consideration under the Services Agreement, the Directors are of the view that such arrangement is fair and reasonable, and is in the best interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

The following are the fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds	Unutilized net proceeds as the Latest Practicable Date
24 August 2009	Subscription of 81,000,000 new Shares under the general mandate	Approximately HK$20.05 million	(i) For partial settlement of the Previous Acquisition; and (ii) general working capital of the Group.	(i) HK$0.05 million has been utilised for the general working capital of the Group; and (ii) HK$20 million has been utilized for the final settlement of the Previous Acquisition *(note 2)*.	Fully utilized
6 November 2009	**First Placing:** placing of 88,000,000 new Shares under the general mandate	Approximately HK$22.88 million	(i) For settlement of part of the Consideration for the Acquisition; and (ii) general working capital of the Group	(i) HK$10 million has been utilized for the partial deposit payment for the Acquisition; (ii) HK$3.2 million has been utilized for the general expenditure of the project contemplated under the Previous Acquisition *(note 1)*; (iii) HK$5.7 million has been utilized for the general working capital of subsidiaries of the Company; and (iv) HK$3.98 million has been utilized for the general working capital of the Group *(note 3)*.	Fully utilized
8 February 2010	**Second Placing:** placing up to 250,000,000 new Shares under general mandate	Approximately HK$46.5 million	(i) For partial settlement of the Acquisition; and (ii) general working capital of the Group, including but not limited to administration costs of the Company and operating costs of the subsidiaries.	will be used as planned.	HK$46.5 million

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds	Unutilized net proceeds as the Latest Practicable Date
4 March 2010	**Open Offer:** issue of 1,015,300,295 Offer Shares on the basis of one Offer Share for every two Shares	Approximately HK$128 million	(i) approximately from RMB42 million to RMB70 million will be used as the future development of the iron ore mine in Hebei Province, PRC *(notes 4 and 5)*; and (ii) the balance will be used for the general working capital of the Group, including but not limited to administration costs of the Company and operating costs of the subsidiaries. *(Note 6)*	(i) approximately HK$80 million was utilized for final settlement of the Previous Acquisition	HK$48 million *(notes 5 and 6)*

Notes:

1. This amount was utilized for the general expenditure of the projects contemplated under the Previous Acquisition instead of using for the general working capital of the Group as intended.

2. The HK$20 million net proceeds was initially intended to be utilized for the partial settlement of the Previous Acquisition. On 11 September 2009, the Company entered into a letter of instruction in relation to a potential acquisition of an iron ore mine in Indonesia. As a result, HK$20 million was paid as a refundable deposit for the acquisition. On 10 March 2010, the Company informed the vendor that it was not satisfied with the results of the due diligent investigation, thus requested for return of the deposit. On 22 June 2010, the full amount of the deposit had been refunded. The refunded deposit was re-allocated for final settlement of the Previous Acquisition on 10 August 2010.

3. The HK$3.98 million was utilized for the daily operation of the Company including and not limited to fees payable to professional parties, salaries payable to the staff of the Company and rental expenses.

4. On 22 December 2009, the Company as the purchaser entered into a sale and purchase agreement with Tain Wei Limited as the vendor and Mr. Ma Hing Chun as the guarantor in relation to the acquisition of Speed Up Worldwide Limited for a total consideration of HK$700,000,000. Speed Up Worldwide Limited and its subsidiaries are engaged in the exploitation of iron ores in Ciyushan Village (茨榆山鄉) of the Qinglong Manzu Autonomous County (青龍滿族自治縣) in the Hebei Province, the PRC. Details of the acquisition have been disclosed in the announcement of the Company dated 13 January 2010. On 31 May 2010, the Company announced that the acquisition had been terminated by the parties as the conditions precedent to the acquisition agreement were not fulfilled.

5. In light of the termination of the acquisition referred to in note 4 above, HK$80 million of the net proceeds from the Open Offer which was intended to be used as the future development of the iron ore mine in Hebei Province was utilized for final settlement of the Previous Acquisition on 10 August 2010.

6. Approximately HK$20.75 million and HK$19.25 million from the net proceeds of the Open Offer will respectively be used as partial settlement of the Consideration and further cashflow requirement after completion of the Acquisition. The remaining balance of HK$8 million will be used for the general working capital of the Group.

As at the Latest Practicable Date, the unutilized proceeds from the abovementioned fund raising exercises amounted to approximately HK$194.5 million after taking into account the refund of HK$20 million deposit, which in view of the Directors will be sufficient for financing the capital expenditure and operation cost of the Project and the project contemplated under the Previous Acquisition.

INFORMATION OF THE TARGET COMPANY

As at the Latest Practicable Date, the Target Company has completed the process of obtaining approval from MLHR for its establishment in Indonesia. The Target Company holds a Power of Attorney from Indo, the legal holder of the IUP Exploration, to exclusively manage, refine and sell the iron ore at the Mining Area of Indo.

The current business activity of the Target Company as approved by BKPM is trading and exporting of, among other things, iron concrete. It is a Condition under the Acquisition Agreement that the Target Company shall obtain approval from BKPM to amend its existing business scope to the effect that the Target Company is authorised to carry out general business consulting activity in relation to the operation of mining activities in the Mining Area on behalf of Indo. Such general business consulting activity is expected to include but not limited to the followings:–

(a) procuring licensed local (Indonesian) mining companies to explore, dig, mine and process the iron sand;

(b) procuring reputable local mining services companies to build and construct a new processing plant for the iron sand;

(c) procuring reputable local transportation companies to transport the processed iron sand to loading port;

(d) procuring and arranging necessary logistical requirements at loading port including but not limited to the booking of berths/piers and temporary holding depot;

(e) procuring and managing overseas sales and marketing agents for the purpose of selling the processed iron sand; and

(f) receiving and handling enquires from potential clients interested in the processed iron sand, including but not limited to the arrangement of quality testing of the iron sand.

The Target Company will not be engaged in mining activities and its role is to procure various local reputable companies to provide all the necessary mining related services so that the Target Company can market and sell the processed iron sand to customers on behalf of Indo. After Completion, Indo will remain as a shareholder of the Target Company and, being the holder of the IUP Exploration and IUP Production and Operation, will continue to give all necessary assistance, which the Target Company may deem fit, to facilitate the Target Company to carry out its business activity.

Under the Power of Attorney granted to the Target Company by Indo as at the date of the Acquisition Agreement, (a) Indo has granted the Target Company with the right to manage, refine and sell the mining products extracted from the Mining Area; and (b) the Target Company may exercise the power given under the Power of Attorney and it will be valid until the end of the term of the IUP Exploration, subject to any extension thereof. As the Target Company will carry out general consulting activity in relation to the operation of mining activities in the Mining Area on behalf of Indo, it is a Condition that the Power of Attorney shall be amended to the effect that the Target Company shall be granted with the rights and authorities to provide general business consulting services to Indo which relate to, amongst the others, the operation of the mining activities in the Mining Area on behalf of Indo. Such additional power, rights and authorities are now given by Indo to the Target Company under the Services Agreement as more fully described under the section headed "Services Agreement".

Management Discussion and Analysis on the Target Company

The Target Company, which will be principally engaged in general business consulting, exportation and trading of iron sand, has not commenced operation as at the Latest Practicable Date. Under the Power of Attorney granted by Indo, the Target Company has the exclusive right to manage, refine and sell the mining products extracted from the Mining Area. The iron sand in the Mining Area is in its natural form and is deposited in open covering the entire area. Certain exploration work was conducted by Indo on the Mining Area in late 2009. Based on the exploration results, resource estimation and designed production scale, the Iron-Sand Deposit will be able to operate for a life of five years without further exploration. The management of the Company expects that the Target Company can start to procure professional parties for exploitation as soon as completion of the Acquisition takes place.

The Target Company has entered into a short term contract with a PRC buyer for selling the unprocessed and unrefined iron sand at a price of US$20 per metric ton at trail order, which will enable the Target Company to sell the unprocessed iron sand when the Target Company obtains a business license from BKPM. A 2-year contract has also been entered into between the two parties for selling and purchasing of unprocessed and unrefined iron sand at US$40 per metric ton monthly. The free on board market price of such unprocessed iron sand is about US$35 to US$40 per metric ton. The current contract prices are set to a lower than average level as the Target Company has not commenced production. The contract prices are expected to be higher in the foreseeable future, especially when the Target Company shows operation record.

To enhance the iron sand quality, a simple filtering and processing factory will be built on the Mining Area to remove impurities, after which the iron content of the iron sand will be increased to over 57%. Further details of business plan and capital expenditure of the Project have been disclosed under the section headed "Business plan and operation" of this circular.

Business Plan and Operation

The Target Company aims to provide high-quality iron concentrates at a low production cost for exporting to medium-size steel-makers in the PRC and other regions in Asia. At its early stage of production, however, the Target Company will sell low concentration unprocessed iron sand to speed up cash inflows and also to practise logistical arrangements. This process is merely involving the scooping up of the iron sand and transportation to the loading port, and therefore, is fast and less capital-intensive. In the long run, screening plants and refinery plants will be set up nearby the Mining Area for filtering the iron sand in order to enhance the concentration and quality of the final product.

Under the current business plan, the major products of the Target Company are iron concentrate and iron sand placer. The unprocessed iron sand is at an average concentration of approximately 20.25%, which is also the product of the Target Company at its early stage of production. Along with the setting up of the screening plants and refinery plants, the concentration of the final product will be increased to an average level of 62.0%.

The development of the Iron-Sand Deposit will be initiated upon the completion of the Acquisition. It takes approximately two years to complete all the necessary set-up. The production involves two stages. In the first stage, 6 screening plants and 1 refining plant will be established with daily production capacity of iron sand placer and iron concentrate of 5,100 tons (850 x 6) and 3,000 tons respectively. Once the the second stage of the expansion plan is completed, there will be in total 12 screening plants and 2 refining plants. The Target Company will be able to manage iron sand placer and iron concentrate up to 10,200 tons per day (850 x 12) and 6,000 tons per day (3,000 x 2). Starting in the third year, the annual output of iron sand placer and iron concentrate will be maintained at an optimal level of 660,600 tons and 1,800,000 tons respectively.

Based on an average total reserve of 46.88 million tons at an average grading of 20.25% iron content as adopted by the valuer of the Company, the Iron-Sand Deposit will have a life of five years based on the above mentioned daily production capacity. The table below summarizes the production plan of the Target Company. For further details, please refer to page V-10 of this circular.

Output	**Yr 2010 (Nov-Dec)**	**Yr 2011**	**Yr 2012**	**Yr 2013**	**Yr 2014**
Iron sand placer (1,000 tons)	128	558	761	661	0
Iron concentrate (1,000 tons)	0	825	1,725	1,800	899

As at the Latest Practicable Date, the production plan was under the preparation stage. The Target Company has selected a site nearby the Mining Area for the construction of the screening plants. Machinery and equipment have been selected from a PRC supplier and will be shipped to Indonesia for installation, tuning and testing. According to the current progress, the six screening plants will commence production in three months upon completion of the Acquisition.

The Company expects that the Iron-Sand Deposit will be able to generate enough profits to sustain its operating costs should the business plan is carried out on schedule. Thus, apart from the US$2,600,000 or approximately HK$20,280,000 capital expenditure to be injected into the Target Company, no significant funding will be required.

As the Target Company itself will not carry out mining activities, exploitation of the Iron-Sand Deposit will be conducted by local service companies to be appointed later on. Indo, being another shareholder of the Target Company upon completion of the Acquisition, will provide all necessary assistance in the operation of the Project. As an expert in iron ore mining in Indonesia, Indo will help the Target Company to select appropriate candidates for carrying out the mining operations. It is the intention of the management of the Target Company that the local service providers will be selected by a way of public tender. Qualified service providers shall be experienced, reputable companies and yet charging at a reasonable fee. Short term service contracts will be engaged between the Target Company and local service providers with reference to the scope of service, project complexity and quality of final product. Should the management of the Target Company discover any improper act of the local service provider, another service provider, as a contingency plan the second candidate from the original tender, will most probably be appointed to replace the original service provider. Legal actions may also be instigated by the management team against the service provider for breach of contract. These arrangements are in place to control the quality of services rendered by the local companies.

Future Exploration and Development

Based on the exploration results and production plan, the Iron-Sand Deposit has an estimated life of five years. The Target Company is expected to commence operation immediately upon Completion instead of going through another phase of exploration in order to generate revenue and cashflow without delay. Though with a relative short operating life, based on the current business plan, the Iron-Sand Deposit could already generate an estimated cashflow which supports the valuation of the Iron-Sand Deposit of US$297 million. As this valuation is substantially higher than the Consideration based on the current estimated reserve and resources, the Acquisition will be able to create positive value to the Company and the Shareholders given its present project life of five years. Further exploration as suggested by the technical advisor of the Company in no doubt, will generate extra income to the Group. However, carrying out another phase of exploration at the early operation stage is not the best option for the Company as it will place financial burden by incurring additional capital expenditure.

As the Target Company has yet to commence operation, it is too early for the management of the Company to decide as to the future plan on the Project after the present reserve is depleted. The Company, however, does not rule out the possibility of further exploration as suggested by the technical adviser of the Company, who has given its recommendations on page 30 of Appendix VI to this circular as it will enhance the future return of the Project. The Company will negotiate with Indo for future business opportunities in the Mining Area at an appropriate time. Should further exploration is carried out, all the additional reserve and resources will be transferred to the Target Company as the Target Company will receive a fee equal to the full amount of the net profits of Indo deriving from the Project according to the Service Agreement.

In light of the above, the Board is of the view the decision to delay further exploration is for the benefit of the Company and the Shareholders and the Project, given an operating life of five years, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Management Team

Upon Completion, staffs in the management and operation level will be appointed. As at the Latest Practicable Date, four candidates have been identified and will be ready for appointment once completion of the Acquisition takes place. Amongst the new staffs, two are site managers who will be responsible for the overall strategic planning, implementation and monitoring of the Project; and another two are engineers who will supervise the day to day mining activities of the local service providers including utilization of mine equipment, optimization of mine recoveries and quality as well as site safety, productivity and cost control. Each of the site managers has more than 3 years experience in the mining industry, with specialties in mine site design, management, planning and construction, environmental control system, mapping and geographic information system. Both of the candidates of the engineers have more than 3 years experience in mining business. They hold bachelor of science degrees in mechanical engineering and are experienced in mining equipment maintenance.

In addition, Mr. Lam, being the ultimate beneficial owner of Indo and the Vendor, will be appointed to act as the general manager of the Target Company. Mr. Lam is an Indonesian born Chinese entrepreneur with various successful track records of joint ventures between China and Indonesia in the fields of frozen seafood, landscaping plantation and mining resources. In recent years, Mr. Lam has been actively involved in different mining company investments in Indonesia. Currently, he is acting as a consultant for an Indonesian nickel mining company. The Directors believe that Mr. Lam will be able to provide valuable advice in terms of the operation and management of the Target Company with his extensive experience in the mining industry and connections in the business society and government of Indonesia,

The Vendor will not be nominated as a Director or involve in the management of the Company save for the appointment of Mr. Lam as the general manager of the Target Company.

INDUSTRY OVERVIEW

Iron and iron Ore

Iron constitutes about 5% of the Earth crust. It is a metallic chemical element with the symbol Fe and atomic number 26 which belongs to group 8 and period 4 in the periodic table. The principle ores of iron are hematite (Fe_2O_3), and magnetite (Fe_3O_4) which contain 70% and 72% iron content respectively. Iron ores are rocks and minerals rich in oxides in varying colors from dark grey, bright yellow, deep purpose to rusty red, from which metallic iron can be economically extracted.

Applications of iron

Iron ore is the raw material used to make pig iron, which is one of the main raw materials for steel making. Approximately 98% of the iron ore mined is used for steel making. However, raw iron itself is not strong and hard enough for construction and other applications. Thus, the raw iron is strengthened and hardened by alloying with a variety of elements (such as tungsten, manganese, nickel, vanadium, chromium), making it useful in steel production for the further consumptions by the construction, automobiles and transportation sectors.

Other than steel making, iron ore is also used in pigment production, pipe coating, heavy aggregates, magnets and as an additive to animal feed.

Global iron ore production

Iron ore production though widely spread in more than 50 countries, is mainly dominant by Brazil, Australia, China, India and the former Soviet Union, attributing to approximately 80% of the world's total output.

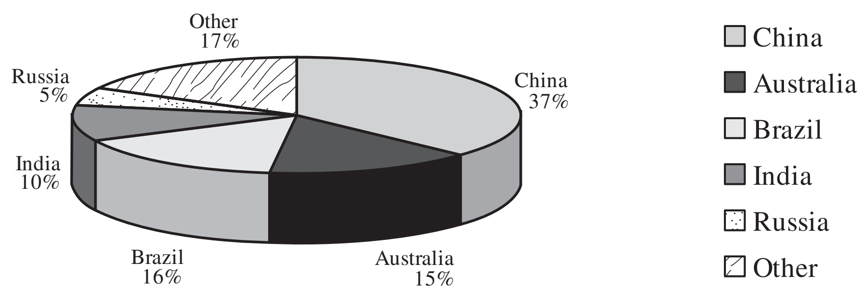


Figure 1: Global production of iron ore in 2008

Source: Mineral Commodity Summaries – Iron Ore, January 2010, U.S. Geological Survey

In the past 30 years, the US had played a dominant role in the iron production industry. In the recent years, however, China has taken over the US and becomes the largest producer worldwide with an annual growth rate of approximately 16% since 2003. Such tremendous increase has been driven by the prosperous economic growth in the region which stimulates higher internal demand of iron ore and thus increases production capacity and encourages new mine investments. Australia and Brazil, being the second and third largest producer in the world, produce iron ores mainly for exportation purpose. For example, in Australia, about 90% of iron ore output is exported to the Asian countries, out of which 58% is to China. The global production of iron ore has more than doubled in five years. In 2008, the production level reached a record high of 2,200 million tons.

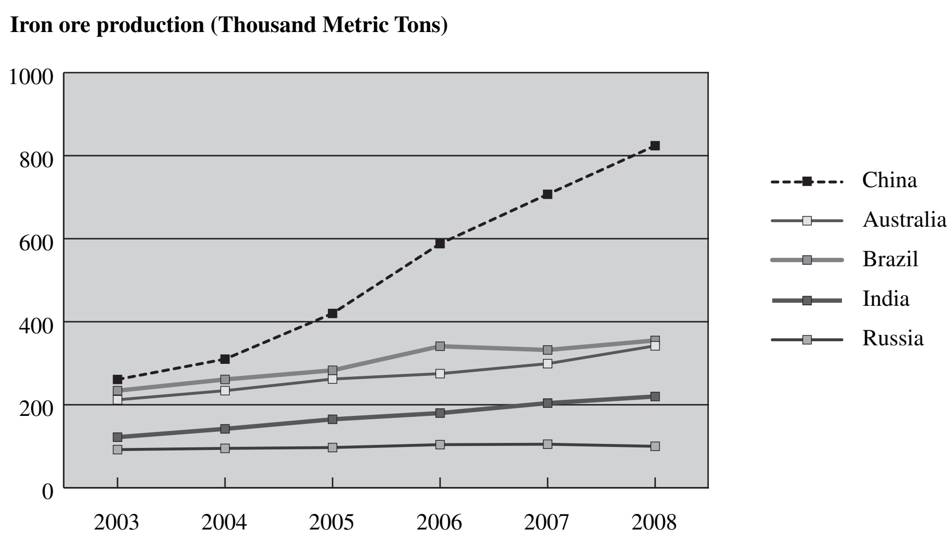


Figure 2: Top five iron ore producers from 2003 to 2008

Source: Mineral Commodity Summaries – Iron Ore, January 2010, U.S. Geological Survey

Major producers

In terms of mining companies, the world's three biggest iron ore producers are Australia's Rio Tinto and BHP Billiton and Brazil's Vale. These three mining giants have contributed to 33% of the global production.

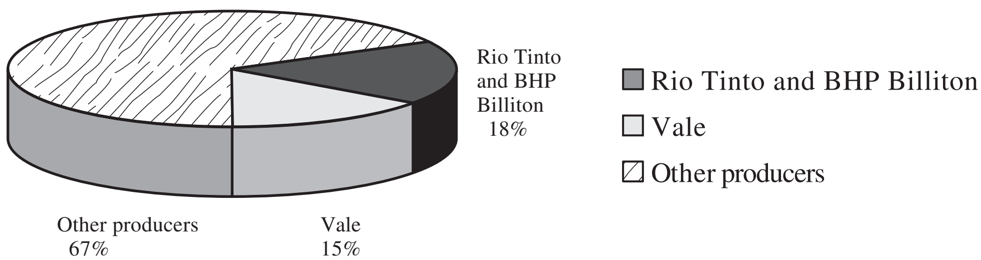


Figure 3: Distribution of top three iron ore producers

Major application of iron – steel making

As mentioned in the above, almost 98% of the iron ore is consumed for steel making. The demand of iron ore depends on the demand of steel which in turn, is highly related to the global economic development and therefore the global GDP growth rate. The table below shows the production of steel and iron ore and annual global GDP growth rate since 2003 and up to 31 December 2008.

	Yr 2003	**Yr 2004**	**Yr 2005**	**Yr 2006**	**Yr 2007**	**Yr 2008**
World total production of iron ore *(Thousand metric tons)*	1,237	1,372	1,569	1,826	2,043	2,220
World total production of crude steel *(Thousand metric tons)*	973	1,072	1,144	1,232	1,344	1,330
World GDP growth rate (%)	–	12.05	8.56	8.55	12.65	11.60

Figure 4: World GDP growth rate and the world production of steel and iron ore from 2003 to 2008

Source: World Development Indicator Database

As shown in the above table, world steel production reached the historical high of 1,344 million tons with the respective GDP growth rate of 12.65% in 2007. Due to the global financial crisis in the late 2008, however, demand of steel shrank. The poor economic environment hurt the construction and the automobiles market, which in turn, decreased the demand of steel. Thus, a 1.04% annual drop of steel production was recorded in 2008.

Russia, USA, Japan, China, South Korea and European Union account for approximately 80% of the world crude steel production. Not surprisingly, amongst these top producers, China is the biggest steel maker producing 500 million tons or approximately 38% of the global annual production in 2008. Analyst forecasts that the steel production in China will increase to more than 600 million tons by 2010 driven by its strong economic growth and urbanization.

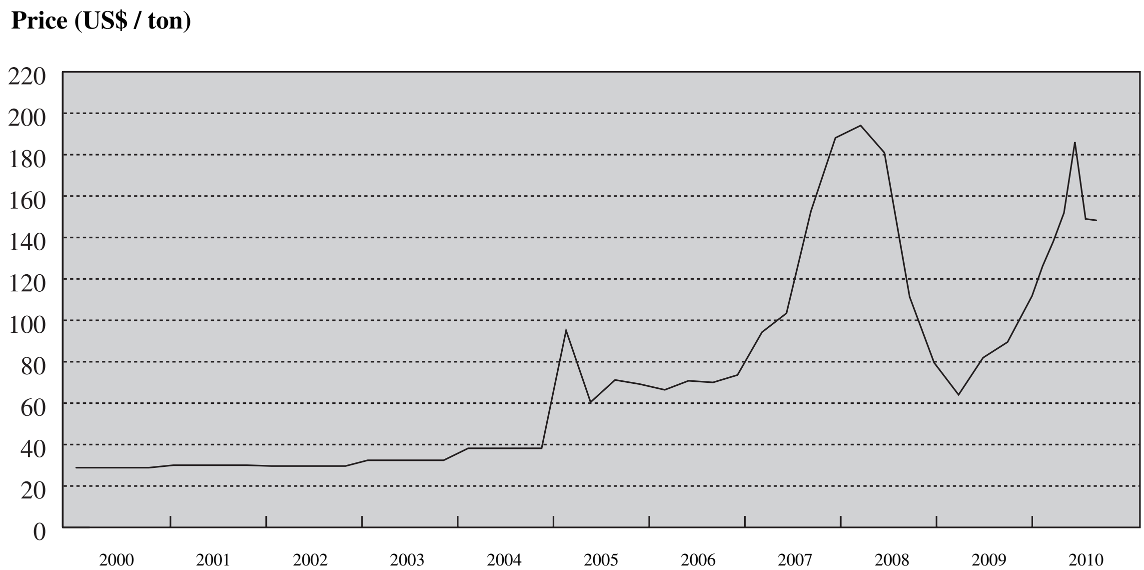


Figure 5: Iron ore price from 1 January 2000 to 30 June 2010

Source: Bloomberg

Iron ore price was very stable during the period from 2000 to 2004. Year 2005 was an unforgettable year for the metal producers, in which the price nearly tripled to US$100 per ton in the beginning of the year, and dipped to approximately US$60 per ton in less than 3 months' time. Afterwards, iron ore price fluctuated between a narrow band of US$60 to US$70 in 2006. Riding on the global economic recovery, especially in the emerging markets, price of iron ore continued to hit its historical highs in 2007. In mid 2007, the iron ore price marked a new record of US$190 per ton. The rising trend, however, could not sustain afterwards. A slump came after the price reaching the peak of approximately US$200 per ton owing to the outbreak of global financial crisis in 2008. The price of iron ore plunged further to the level of approximately US$60 wiping off all the previous gains. In early 2009, iron price bottomed out gradually from its three-year low. Since late 2009, the iron price has been maintained well above the level of US$100 per ton.

Mining industry in Indonesia

Indonesia, being abundant in minerals such as bauxite, gold, copper, sliver, nickel and tin, is one of the countries with the largest mineral resources in the world. According to the U.S Geological Survey, in 2008, Indonesia was one of the top 10 producers of copper, gold and nickel. The value of mineral production rose to 4% of total Indonesian GDP and more than 20% of export revenue in that year. Spending in the exploration of greenfields also increased form USD48 million in 2006 to USD59 million in 2007, which accounted for a growth rate of approximately 23%. Mining industry has become the major source of income to and core business of Indonesia. It is expected that the Indonesian mining industry will capture an average annual growth of 5.8% from now until 2011.

At present, however, iron ore mining is not popular and is undeveloped in Indonesia. According to the U.S. Geological Survey, the production of iron sand in Indonesia only amounted to 65,000 metric tons in 2008. Comparing to other minerals like copper and aluminum which had 651,000 and 242,500 metric tons respectively, iron ore production was only in a small amount.

The new mining law in Indonesia

The Government of the Republic of Indonesia ("**GOI**") passed a new mining law on 12 January 2009, which came into force as of the date of its promulgation, with an aim to create certainty and boosting mining revenues. The new regime introduces a different concept to that of the old mining regime under Law No. 11 of 1967 (the "**Old Mining Regime**") under which mining is undertaken on a license-based scheme under either a Mining Business Permit ("**IUP**"), a Special Mining Business Permit ("**IUPK**") or a People's Mining Business Permit ("**IPR**"), each of which has a specific mining area to be determined by the GOI within a nationwide mining area. An IUP or IUPK comprises of (i) IUP or IUPK for Exploration; and (ii) IUP or IUPK for Production Operation. IUP or IUPK for Exploration covers for general survey, exploration and a feasibility study activities; whilst IUP or IUPK for Production Operation covers for construction, mining, processing, refining, transportation and sales activities. Under the new mining law, scope of exploration areas will be limited by the licences and separate permits are required for each phase of mining activities, from surveying to exploration to feasibility studies to actual production.

Moreover, under the new mining law, holders of IUPs and IUPKs for Production Operation are required to process or refine their mining products in Indonesia directly or indirectly through cooperation with another party (including state or region-owned enterprises, private-owned companies, cooperative or individual) in Indonesia holding an IUP or IUPK for refining; or otherwise be prohibited from exporting minerals prior to processing and refining the mineral domestically. Under the new mining law regime, existing mining companies which hold mining authorizations and other similar approvals must convert such authorizations or approvals by 1 May 2010 and those who are parties to the contracts of work ("**CoW**") or coal contracts of work ("**CCoW**") that were executed under the Old Mining Regime must adjust their CoWs or CCoWs according to the new mining law by 12 January 2010 and must conduct refining or smelting domestically at the latest five years of the promulgation of the new mining law.

In terms of foreign investments, under the Old Mining Regime, foreign miners had to enter into a CoW or CCoW with the GOI before it can engage in a mining business in Indonesia. The new system allows 100% foreign investor ownership in a mining company, but only for the first five years of production as under the new system, a 100% foreign owned mining company will be required to divest at least 20% of its foreign shareholding after five years of production.

The GOI is expected to issue further implementing regulations of the new mining law in the form of government regulations and ministerial regulations to respond to some of the issues left outstanding by the new mining law, the impact of which on the mining industry is uncertain. As at the Latest Practicable Date, the government has issued certain government regulations regarding mining areas and mineral and coal mining business and certain ministerial regulations on mining services business and prioritization of domestic interest as the implementing regulations of the new mining law. Despite of these, in general, industry participants expect that Indonesia's short-term production outlook will not be affected by the inception of the new mining law and its further implementing regulations.

Iron ore consumption in the PRC

Due to the prosperous economic development, demand of iron and steel in China has been strong. China has become the biggest importer of the iron ore in the world contributing to over 50% of the global consumption. However, China is unable to produce iron ore to meet its internal need because of lack of large-scale iron miner, low product quality and inefficient productivity. To secure its future consumption, China has started to expand the reserve base of iron ore since 2003 by importing the metal from major producers including Australia, South Africa and Brazil. According to U.S. Geological Survey, the imported amount of iron ore to China has increased from 383 million metric tons in 2007 to 433 million metric tons in 2008, representing an annual growth rate of approximately 13.05%.

	Yr 2003	Yr 2004	Yr 2005	Yr 2006	Yr 2007	Yr 2008
Import of iron ore to China *(Thousand metric tons)*	148	208	275	326	383	443

Figure 6: Iron ore imported to China from 2003 to 2008

Source: Mineral Commodity Summaries – Iron Ore (2003 – 2008), U.S. Geological Survey

	Yr 2003	Yr 2004	Yr 2005	Yr 2006	Yr 2007	Yr 2008
Production of iron ore in China	261	310	420	588	707	824
Consumption of iron ore in China	409	518	695	914	1090	1257
Production and consumption gap *(Thousand metric tons)*	148	208	275	326	383	433

Figure 7: Iron ore production and consumption gap in China (2003-2008)

Source: Mineral Yearbook – China (2003 – 2008), U.S. Geological Survey

From the above table, iron ore production in China is unable to satisfy its domestic demand. The demand and supply gap has been widening. The supply deficiency has been filled up by importation. Indonesia is one of the potential iron ore importers to the PRC because of its favorable geographical location and relative low freight charges compared with Australia and Brazil.

Furthermore, supported by the expansionary fiscal policy imposed by the PRC regulators and vigorous economic growth in the country, it is very likely that demand for iron and steel will rise further. This will fuel the growth of the metal price in the long run. The increasing demand and price trend of iron will enhance the profit margin of iron trading companies by speeding up the inventory turnover and increasing its bargaining power.

Outlook

Development of iron ore mining business in Indonesia is in its infant stage, whereby its iron ore production and trading volume are relatively small when compared to Australia and Brazil. Nevertheless, the situation needs to be changed. The high demand of steel under the rapid economic growth in the emerging countries has been the major driving force for expanding the production capacity of the iron ore industry. As a result, alternative sources of iron ore supplies are in need to meet their ever-growing demand. Indonesia will probably become the next potential iron ore supplier to the emerging markets, especially to China, blessed by its unique geological location and abundant metal reserves.

Moreover, according to U.S Geological Survey, the growth of the consumption of iron ore in the undeveloped countries nearby Indonesia such as Malaysia and the Philippines has been under-estimated. The future housing and infrastructure projects in these areas will require a substantial amount of steel and iron ore. This will create another huge potential market for iron ore mining companies nearby the South-Asian region.

The iron ore mining and production industry is dominant by a few world-class mining giants whom have longer history of operation, more experience and with greater bargaining power. Though competition amongst the industry players is keen, smaller and less experienced mining companies still have an edge over the large-scaled producers. By increasing operation efficiency, improving service and product qualities and acting promptly at time of market disequilibrium, smaller market participants will be able to make profits.

The outbreak of the financial crisis in 2008 acted like the gravity, which pulled down assets prices drastically. Price of iron ore was no exceptional. As the global economy bottomed out, price of iron ore starts to pick up again. As at the Latest Practicable Date, iron ore price has made an accumulated growth rate of approximately 134% comparing to its lowest price immediately after the financial crisis in 2008. Fuelled by the vigorous economic growth in emerging market, demand of iron will resume and give a further rise to the iron price as well. This will very likely to benefit mining companies.

Financial Information of The Target Company

The Target Company has completed the process of obtaining approval from the MLHR for its establishment in Indonesia and has no turnover as at the Latest Practicable Date. The Target Company posted a net loss of HK$29,640, representing company registration cost, as shown in the audited accountants' report for the period from 21 December 2009 to 28 February 2010. The net assets of the Target Company as shown in its accountant's report as at 28 February 2010 amounted to HK$750,360. Further details of the financial information of the Target Company is set out in Appendix II to this circular.

Financial Effects of the Acquisition

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated with those of the Group.

Set out below is a summary of the un-audited pro forma financial information of the Group before and after the Completion. The full-text of such pro forma financial information is set out in Appendix III to this circular.

	Before Completion *HK$'000*	**After Completion** *HK$'000*
Total assets	694,403	1,713,683
Total liabilities	256,150	670,846
Total net assets	438,253	1,042,837
Net current assets	50,472	20,472
Gearing ratio (total liabilities/total assets)	36.39%	39.15%

As set out above, upon Completion:

(i) the total assets of the Enlarged Group will increase by 146.79%, mainly attributable to an intangible asset of the exclusive right in managing the Iron-Sand Deposit;

(ii) the total liabilities of the Enlarged Group will increase by 161.90%, mainly attributable to a deferred tax liabilities arising from the Convertible Note and adjustment on fair value of the mining right;

(iii) the net current assets of the Enlarged Group will decrease by 59.44% as a result of paying the Deposit in cash by Company's internal resources; and

(iv) the gearing ratio of the Enlarged Group will increase from 36.39% before Completion to 39.15% after Completion because of the substantial increase in total liabilities of the Enlarged Group after completion of the Acquisition.

INFORMATION OF THE MINING AREA

The Entire Mining Area is located in Lumajang, East Java Province, Indonesia with the total area of 8,495.6 hectares. The IUP Exploration held by Indo covers the Entire Mining Area. Under the Power of Attorney, Indo grants exclusive rights and authorities to the Target Company to carry out mining activities in the Mining Area located in Lumajang, East Java, Indonesia and covering a site area of approximately 1,195 hectares where the Iron-Sand Deposit is situated.

Details of the Iron-Sand Deposit, including, among other things, its location, estimated reserve and valuation have been set out in Appendix VI to this circular.

The Licences

The mining licence held by Indo is IUP Exploration which provides Indo with the rights to carry out feasibility study and exploration activities at the Mining Area. Under the IUP Exploration, Indo is not permitted to conduct the exploitation and sale of the products from the Mining Area. On 20 July 2010, Indo has obtained another licence namely IUP Production and Operation which will enable Indo to continue its exploitation and mining activities in the mining area designated in the IUP Production and Operation. Further details on the IUP Exploration and IUP Production and Operation have been set out on page V-6 of this circular.

Under the terms of the Services Agreement, the Target Company can provide full range of services to Indo from procurement/arranger services at the minimum to sale and exporting services on behalf of Indo. If the Target Company only performs part of the services such as procurement and introduction of mining services companies, customers or exporters to Indo, the Target Company shall apply to the BKPM for a business license ("IU") before commencement of commercial operation of such business. Such an application for an IU can be made to the BKPM as soon as the BKPM approval for the Target Company to add general business consulting activities to the Target Company's investment plan is obtained. As at the Latest Practicable Date, the application for the said BKPM approval is being processed. It is expected that the IU of the Target Company will be obtained by the Completion Date.

The Target Company will be required to obtain an IUP Transportation and Trading if it is engaged in the business of sale and exporting of mining commodities on behalf of Indo. As at the Latest Practicable Date, the implementing regulations which set out the procedure and requirements for an IUP Transportation and Trading have not yet been issued. It is expected that certain administrative, technical and financial requirements have to be met in order to obtain an IUP Transportation and Trading. The Target Company will use its best endeavours to satisfy all those requirements. However, the IUP Transportation and Trading is not a prerequisite for the Target Company to commence its general business consulting activities and generate profits therefrom because as soon as the Target Company obtains an IU from the BKPM to commence commercial operation of its general business activities, the Target Company can start performing its procurement/arranger services under the Services Agreement without an IUP Transportation and Trading and be paid the Arranger Fee for such services in accordance with the Services Agreement. In other words, neither the valuation of the Target Company nor the financial position of the Group will be affected by the availability of the IUP Transportation and Trading.

Risks Relating to the Acquisition

Risks relating to the Acquisition and may be faced by the Company are set out as below.

Continuous capital investment

The mining business requires significant and continuous capital investment. The mine capital expenditure of the Project may exceed the original budgets, and it is not guaranteed to achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Group's budgets because of various factors beyond the Group's control, which in turn may affect the Group's financial condition. The Company has currently planned to inject approximately US$2,600,000 in aggregate for developing the Project for the years 2010 and 2011. Such funds will be applied for setting up of plants and purchase of necessary machinery for mining. Afterwards, it is expected that no significant capital expenditure will be required for the Project. The Directors, therefore, are of the view that exposure to the risk on the development and operation of the Project is very limited.

Dependence on external companies for majority of mining activities

The Target Company will not engage in mining activities itself, but will procure local companies to provide all necessary mining related services. Operation of the Target Company may be affected by the availability of such service providers. Furthermore, there is a potential risk of profit margin squeezing resulting from increases of service charges by the service providers. In light of the threat, management of the Company is under negotiation with local service providers to enter into short term service contracts in order to secure future services. Experienced and reputable service providers will be appointed to minimize such risks.

Potential variability of the estimated reserve

Ore resources and reserves estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of mineralization and the ability to extract and process the mineralization economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the orebodies and analysis of the ore samples and the procedures adopted and experience of the person(s) making the estimates. The estimated mineral resources and ore reserve may differ from the actual mine reserves in tonnage, quality and feasibility. The inclusion of resources estimates should not be regarded as a representation that these amounts can be exploited economically. Any material discrepancies will adversely affect the profitability of the Target Company.

Cyclical nature of commodity markets and fluctuations in their prices

The profitability of the Target Company may be affected by fluctuations in the market price of iron metal and cyclical nature of the domestic and international markets which are inherited risks of the mining industry. As the future revenue of the Target Company will come from the sales and export of iron sand, the earnings from these operations will be closely related to both global and domestic prices and demand for such metal. These fluctuations may be influenced by numerous factors which are beyond the control of the management of Enlarged Group, including the global mine production, global and local economic conditions and industrial demand. There is no assurance that the international demand for iron and related products will continue to grow, or that the international demand for the metal will not experience excessive supply.

Laws and regulations

The Target Company's operations are subject to a variety of regulations of the Indonesian government, especially the new mining law to be issued from time to time. These laws and regulations may affect many aspects of the Target Company's operations including, without limitation, industry-specific taxes and fees and business qualifications. Details of the new mining law are set out under sub-section headed "The new mining law in Indonesia" under the section headed "Industry Overview" of this circular.

In particular, a trading company engaged in the business of sale and exporting of mining commodities, like what the Target Company will perform on behalf of Indo, is required to obtain an IUP Transportation and Trading. The implementing regulations underlying the procedure and requirements to obtain such an IUP Transportation and Trading have not been issued as at the Latest Practicable Date. It is expected that certain administrative, technical and financial requirements have to be met in order to obtain an IUP Transportation and Trading. Notwithstanding that the Target Company will try its best endeavours to satisfy all those requirements, there is no guarantee that an IUP Transportation and Trading is able to be obtained.

Besides, there may be new mining regulation(s) that may require a mining commodities trading company (as a holder of an IUP Transportation and Trading) to take the form of a special purpose company, meaning that no other business activities such as business consultancy can be conducted by the same company. As such, if the Target Company is not a special purpose company, it is possible that the competent authority(ies) in Indonesia will refuse to issue an IUP Transportation and Trading to the Target Company when it decides to perform the services of sale and exporting of the mining commodities on behalf of Indo under the Services Agreement and prior to the commencement of such business applies for an IUP Transportation and Trading. This, however, is still unclear pending the issuance of the ministerial regulation, if any.

As a result, the Enlarged Group may face significant constraints on its ability to implement its business strategies, develop or expand its business operations or maximize its profitability. The business conducted or to be conducted by the Target Company may also be materially and adversely affected by future changes in regulations and policies of the Indonesian government applicable to the industry especially as more new mining regulations may be issued by the Indonesian government in the near future.

Notwithstanding the foregoing, in general, the Company, like the other industry participants, expects that Indonesia's short-term production outlook will not be affected by the inception of the new mining law and its further implementing regulations. The promulgation of the new mining law and its implementation regulations has been envisaged by the Company when the parties entered into the Acquisition Agreement. Any uncertainties that may be brought along by the new mining regime will be coped with by the Company in a flexible manner with a view to sustaining operation and attaining growth of the Target Company in the long run.

REASONS FOR THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of pharmaceutical products and iron mining business. The Company has also completed acquisition of an iron mine in Mongolia in June 2009. The Company intends to maintain its existing business of manufacturing and sales of pharmaceutical products after Completion and has no intention to change its board composition as a result of the Acquisition.

In view of the continued economic growth and accelerated industrialization and urbanization in Indonesia, there will be sustained demand for natural resources in the long run. The Directors believe that the demand for natural resources will be considerable and the Company's growth momentum will be maintained by continuing to invest into the natural resources area.

Having taken into account of the possibility that the Group can broaden its revenue stream and improve its profitability in a long term through the Acquisition, which is in line with its existing principal business, the Board anticipates that the Target Company will make contributions to the cash flow and revenue stream of the Group after completion of the Acquisition.

Acquisition of the iron mines in Mongolia and Indonesia are only an extension of the scope of the original principal businesses of the Group and the Company has no intention to dispose, discontinue or down-scale its existing business. As such, no agreements, contracts or arrangements in any form have been entered into by the Company in these regards as at the Latest Practicable Date.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Group and the terms and conditions of the Acquisition are on normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

FURTHER INFORMATION ON THE PREVIOUS ACQUISITION

On 5 February 2010, Mr. Danny Sun ("Mr. Sun") has been appointed as the executive Director of the Company. With his expertise in natural resources investment, Mr. Sun will be responsible for supervising the mining project in Mongolia. Mr. Sun is independent of and not connected with the Vendor or any of its subsidiaries or any of their respective associates.

As disclosed in the announcement of the Company dated 3 June 2009, the acquisition of Khuderbold LLC was completed. Since completion of the Previous Acquisition, explorations have been carried out in the mining area and no production has been commenced. The Company has conducted drilling, sampling and testing procedures on the mining site. Based on the first phase of the exploration result, the iron ore mine has a potential reserve of 32 million tons at an average grading of 43% according to the old Chinese system, which are only preliminary figures subject to the confirmation by the local authority. In December 2009, all required documents and samples were submitted to the local regulatory body for examination and confirmation of the estimated reserves and resources in the mine. As the mine is still in the exploration stage which only requires a limited amount of funding, there is no immediate need for further capital expenditures.

Save for the aforesaid exploration results, no exploitation activity has been conducted in the mining area as at the Latest Practicable Date. Therefore, no further information on the indication of the periods, or main terms of concessions, or economic conditions for working on the iron ore mine, or indication of the progress of actual working could be disclosed according to the Listing Rules.

LISTING RULES IMPLICATION OF THE ACQUISITION

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition Agreement and the transactions contemplated thereunder, including, but not limited to (i) the issue of the Convertible Note and (ii) the allotment and issue of the Conversion Shares are subject to the approval of the Shareholders at the SGM as required under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor, its ultimate beneficial owner and associates and the Guarantor does not hold any Shares as at the Latest Practicable Date and no Shareholder has a material interest in the Acquisition, and therefore no Shareholder is required to abstain from voting at the SGM.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the Latest Practicable Date; (b) upon allotment and issue of the Conversion Shares, assuming the Convertible Note is converted into Shares at the Conversion Price in full; and (c) upon allotment and issue of the Conversion Shares assuming the Convertible Note is converted into Shares at the Conversion Price to the extent that the Vendor being interested in not more than 29.99% of the issued share capital of the Company, are as follows:

	a) As at the Lastest Practicable Date		**b) Upon allotment and issue of the Conversion Shares, assuming the Convertible Note is converted into the Shares at the Conversion Price in full** *(Note 2)*		**c) Upon allotment and issue of the Conversion Shares, assuming the Convertible Note is converted into Shares at the Conversion Price in full to the extent that the Vendor being interested in not more than 29.99% of the issued share capital of the Company** *(Note 2)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Golden Mount Limited *(Note 1)*	215,000,000	7.06	215,000,000	3.60	215,000,000	4.94
Vendor	–	–	2,934,782,608	49.07	1,305,386,093	29.99
Sub-total	215,000,000	7.06	3,149,782,608	52.67	1,520,386,093	34.93
Public Shareholders	2,830,900,885	92.94	2,830,900,885	47.33	2,830,900,885	65.07
Total	3,045,900,885	100.00	5,980,683,493	100.00	4,351,286,978	100.00

Notes:

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

2. For illustration purpose only. The Noteholder(s) shall only be entitled to exercise the conversion right attaching to the Convertible Note provided that any conversion of the Convertible Note will not result in the Noteholder(s) and the parties acting in concert with it/them being interested (whether directly or indirectly) in 29.99% or more of the then issued share capital of the Company and trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder(s) and the parties acting in concert with it/them who exercised the conversion right.

SGM

The SGM will be held at Plaza 3, Lower Lobby, Novotel Century Hotel Hong Kong, No. 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 2 September 2010 at 11:00 a.m. (or immediately following the conclusion of the annual general meeting of the Company which has been convened to be held at 10:30 a.m. on the same date and at the same place), 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, of the Target Company and of the Enlarged Group, the valuation report of the properties of the Enlarged Group, the valuation report on the Target Company, the technical report on the Iron-Sand Deposit 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. FINANCIAL INFORMATION OF THE GROUP

The following are the audited consolidated financial information of the Group for each of the three years ended 31 March 2008, 2009 and 2010 extracted from the text of the audited financial statements of the Group.

Consolidated Statement of Comprehensive Income
For the year ended 31 March

	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	135,320	167,718	170,445
Cost of sales	(81,557)	(98,883)	(98,082)
Gross profit	53,763	68,835	72,363
Other revenue	1,562	5,718	5,715
Other gains	5,307	23,185	3,071
Distribution and selling expenses	(40,159)	(47,895)	(49,243)
Administrative expenses	(41,509)	(31,747)	(26,612)
Other expenses	(7,670)	(27,049)	(931)
Loss on early redemption of promissory notes	(20,502)	–	–
Share of loss of associates	–	–	(3,381)
Gain on disposal of associates	–	–	73,691
Fair value change on investment properties	–	–	2,664
Finance costs	(21,135)	(10,077)	(10,751)
(Loss)/profit before taxation	(70,343)	(19,030)	66,586
Taxation	63	(2,094)	(1,204)
(Loss)/profit for the year	(70,280)	(21,124)	65,382
Other comprehensive income			
Exchange differences on translating foreign operations	1,439	571	19,803
Other comprehensive income for the year, net of tax	1,439	571	19,803
Total comprehensive (expense)/income for the year	(68,841)	(20,553)	85,185
(Loss)/profit attributable to owners of the Company	(70,280)	(21,124)	65,382
Total comprehensive (expenses)/income attributable to owners of the Company	(68,841)	(20,553)	85,185
	HK cents	*HK cents*	*HK cents*
(Loss)/earnings per share – Basic and diluted	(4.24)	(1.50)	4.63

Consolidated Statement of Financial Position
At 31 March

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	126,610	117,232	156,171
Prepaid lease payments	5,986	6,185	10,067
Intangible assets	27	65	104
Mining right	260,015	–	–
Deposits for acquisition of property, plant and equipment	4,984	10,028	–
	397,622	133,510	166,342
Current assets			
Inventories	23,844	25,592	21,433
Trade and bills receivables	61,512	64,347	93,635
Prepayments, deposits and other receivables	138,069	241,093	208,135
Financial assets at fair value through profit or loss	577	215	496
Pledged bank deposits	6,826	11,338	6,992
Bank balances and cash	65,953	23,958	73,247
	296,781	366,543	403,938
Current liabilities			
Trade and bills payables	55,358	15,179	20,037
Other payables and accruals	21,185	16,546	40,962
Tax liabilities	–	2,432	1,071
Amount due to a shareholder	3,000	–	–
Promissory notes	93,956	–	–
Bank borrowings	72,810	109,070	134,262
	246,309	143,227	196,332
Net current assets	50,472	223,316	207,606
Total assets less current liabilities	448,094	356,826	373,948
Capital and reserves			
Share capital	101,530	70,572	70,572
Reserves	336,723	280,982	303,376
Total equity attributable to owners of the Company	438,253	351,554	373,948
Non-current liability			
Bank borrowings	9,841	5,272	–
	448,094	356,826	373,948

Consolidated Statement of Changes in Equity

For the year ended 31 March

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(note i)*	PRC statutory reserve funds *HK$'000* *(note ii)*	Translation reserve *HK$'000* *(note iii)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2007	70,572	497,831	92,926	3,094	15,978	(381,862)	298,539
Profit for the year	–	–	–	–	–	65,382	65,382
Other comprehensive income for the year	–	–	–	–	19,803	–	19,803
Total comprehensive income for the year	–	–	–	–	19,803	65,382	85,185
Transfer to profit or loss on disposal of associates	–	–	–	–	(9,776)	–	(9,776)
Transfers *(note ii)*	–	–	–	192	–	(192)	–
At 31 March 2008 and 1 April 2008	70,572	497,831	92,926	3,286	26,005	(316,672)	373,948
Loss for the year	–	–	–	–	–	(21,124)	(21,124)
Other comprehensive income for the year	–	–	–	–	571	–	571
Total comprehensive income/ (expenses) for the year	–	–	–	–	571	(21,124)	(20,553)
Transfer to profit or loss on disposal of property, plant and equipment	–	–	–	–	(1,841)	–	(1,841)
At 31 March 2009 and 1 April 2009	70,572	497,831	92,926	3,286	24,735	(337,796)	351,554
Loss for the year	–	–	–	–	–	(70,280)	(70,280)
Other comprehensive income for the year	–	–	–	–	1,439	–	1,439
Total comprehensive income/ (expenses) for the year	–	–	–	–	1,439	(70,280)	(68,841)
Issue of shares	30,958	128,305	–	–	–	–	159,263
Expenses incurred in connection with the issue of shares	–	(2,695)	–	–	–	–	(2,695)
Transfer to profit or loss on disposal of property, plant and equipment	–	–	–	–	(1,028)	–	(1,028)
At 31 March 2010	101,530	623,441	92,926	3,286	25,146	(408,076)	438,253

Notes:

(i) 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.

(ii) As stipulated by the relevant laws and regulations for foreign investment in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain two statutory reserves, being a statutory surplus 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.

(iii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operations.

Consolidated Statement of Cash Flows
For the year ended 31 March

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Operating activities			
(Loss)/profit for the year	(70,280)	(21,124)	65,382
Adjustments for:			
Taxation	(63)	2,094	1,204
Share of loss of associates	–	–	3,381
Interest income on bank deposits	(539)	(763)	(1,049)
Interest income on loans to an associate	–	–	(2,597)
Interest income on loan receivables	(843)	(4,913)	(1,525)
Finance costs	21,135	10,077	10,751
Depreciation of property, plant and equipment	18,538	24,233	19,964
Amortisation of intangible assets	39	41	93
Amortisation of prepaid lease payments	219	298	429
Gain on disposal of a subsidiary	–	–	(791)
Gain on disposal of associates	–	–	(73,691)
Loss/(gain) on disposal of property, plant and equipment	11,503	(16,094)	1,052
Gain on disposal of financial assets at fair value through profit or loss	–	–	(59)
Fair value change on investment properties	–	–	(2,664)
Fair value change on financial assets at fair value through profit or loss	(362)	281	559
Written-off of inventories	351	315	–
Waive of trade payables	–	(14)	(1,966)
Reversal of provision for impairment loss on trade receivables	(4,782)	(1,596)	–
Loss on early redemption of promissory notes	20,502	–	–
Provision for impairment loss on trade receivables	7,670	7,994	931
Provision for impairment loss on property, plant and equipment	–	19,055	–

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Operating cash flows before movements in working capital	3,088	19,884	19,404
Decrease/increase in inventories	1,399	(4,474)	1,264
Increase/(decrease) in trade and bills receivables	(53)	22,890	(13,802)
Decrease/(increase) in prepayments, deposits and other receivables	33,126	37,042	(16,329)
(Increase)/decrease in trade and bills payables	40,179	(4,844)	(3,268)
Increase/(decrease) in other payables and accruals	3,239	(1,929)	37,365
Increase in amount due to a shareholder	3,000	–	–
Cash generated from operations	83,978	68,569	24,634
PRC enterprise income tax refund	759	–	–
PRC enterprise income tax paid	(3,128)	(733)	(201)
Net cash generated from operating activities	81,609	67,836	24,433
Investing activities			
Interest received	1,382	5,676	5,171
Purchase of property, plant and equipment	(38,707)	(6,307)	(6,592)
Decrease/(increase) in deposit paid for acquisition of property, plant and equipment	5,044	(10,028)	–
Deposit paid for acquisition of subsidiaries	–	(70,000)	–
Purchase of financial assets at fair value through profit or loss	–	–	(1,378)
Proceeds from disposal of financial assets at fair value through profit or loss	–	–	382
Purchase of intangible assets	–	–	(203)
Government grants received in respect of purchase of property, plant and equipment	–	–	1,600
Proceeds from disposal of investment properties	–	–	32,998
Proceeds from disposal of property, plant and equipment	35	380	253
Proceeds from disposal of associates	–	–	45,000
Net cash outflow on disposal of a subsidiary	–	–	(77)
Net cash inflow on acquisition of subsidiaries	3	–	–
Loans to an associate	–	–	(1,665)
Decrease/(increase) in pledged bank deposits	4,512	(4,346)	(6,992)

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Net cash (used in)/generated from investing activities	(27,731)	(84,625)	68,497
Financing activities			
Interest paid	(6,696)	(10,077)	(10,751)
New bank borrowings raised	77,361	114,342	90,644
Repayment of bank borrowings	(109,052)	(134,262)	(138,197)
Net proceeds from issue of shares	156,568	–	–
Redemption of promissory notes	(130,000)	–	–
Net cash used in financing activities	(11,819)	(29,997)	(58,304)
Net increase/(decrease) in cash and cash equivalents	42,059	(46,786)	34,626
Cash and cash equivalents at beginning of the year	23,958	73,247	38,071
Effect of foreign exchange rate changes	(64)	(2,503)	550
Cash and cash equivalents at end of the year			
Bank balances and cash	65,953	23,958	73,247

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the audited financial statements of the Group from the annual reports of the Company for the year ended 31 March 2010.

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	135,320	167,718
Cost of sales		(81,557)	(98,883)
Gross profit		53,763	68,835
Other revenue	8	1,562	5,718
Other gains	9	5,307	23,185
Distribution and selling expenses		(40,159)	(47,895)
Administrative expenses		(41,509)	(31,747)
Loss on early redemption of promissory notes	30	(20,502)	–
Other expenses	10	(7,670)	(27,049)
Finance costs	11	(21,135)	(10,077)
Loss before taxation	12	(70,343)	(19,030)
Taxation	15	63	(2,094)
Loss for the year		(70,280)	(21,124)
Other comprehensive income			
Exchange differences on translating foreign operations		1,439	571
Other comprehensive income for the year, net of tax		1,439	571
Total comprehensive expenses for the year		(68,841)	(20,553)
Loss attributable to owners of the Company		(70,280)	(21,124)
Total comprehensive expenses attributable to owners of the Company		(68,841)	(20,553)
		HK cents	*HK cents*
Loss per share	16		
– Basic and diluted		(4.24)	(1.50)

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	126,610	117,232
Prepaid lease payments	18	5,986	6,185
Intangible assets	19	27	65
Mining right	20	260,015	–
Deposits for acquisition of property, plant and equipment		4,984	10,028
		397,622	133,510
Current assets			
Inventories	21	23,844	25,592
Trade and bills receivables	22	61,512	64,347
Prepayments, deposits and other receivables	23	138,069	241,093
Financial assets at fair value through profit or loss	24	577	215
Pledged bank deposits	25	6,826	11,338
Bank balances and cash	25	65,953	23,958
		296,781	366,543
Current liabilities			
Trade and bills payables	26	55,358	15,179
Other payables and accruals	27	21,185	16,546
Tax liabilities		–	2,432
Amount due to a shareholder	28	3,000	–
Bank borrowings	29	72,810	109,070
Promissory notes	30	93,956	–
		246,309	143,227
Net current assets		50,472	223,316
Total assets less current liabilities		448,094	356,826
Capital and reserves			
Share capital	31	101,530	70,572
Reserves		336,723	280,982
Total equity attributable to owners of the Company		438,253	351,554
Non-current liability			
Bank borrowings	29	9,841	5,272
		448,094	356,826

Consolidated Statement of Changes in Equity
For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	PRC statutory reserve funds HK$'000 (note i)	Translation reserve HK$'000 (note ii)	Accumulated losses HK$'000 (note iii)	Total HK$'000
At 1 April 2008	70,572	497,831	92,926	3,286	26,005	(316,672)	373,948
Loss for the year	–	–	–	–	–	(21,124)	(21,124)
Other comprehensive income for the year	–	–	–	–	571	–	571
Total comprehensive expenses for the year	–	–	–	–	571	(21,124)	(20,553)
Transfer to profit or loss on disposal of property, plant and equipment	–	–	–	–	(1,841)	–	(1,841)
At 31 March 2009 and 1 April 2009	70,572	497,831	92,926	3,286	24,735	(337,796)	351,554
Loss for the year	–	–	–	–	–	(70,280)	(70,280)
Other comprehensive income for the year	–	–	–	–	1,439	–	1,439
Total comprehensive expenses for the year	–	–	–	–	1,439	(70,280)	(68,841)
Issue of shares	30,958	128,305	–	–	–	–	159,263
Expenses incurred in connection with the issue of shares	–	(2,695)	–	–	–	–	(2,695)
Transfer to profit or loss on disposal of property, plant and equipment	–	–	–	–	(1,028)	–	(1,028)
At 31 March 2010	101,530	623,441	92,926	3,286	25,146	(408,076)	438,253

Notes:

(i) 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.

(ii) As stipulated by the relevant laws and regulations for foreign investment in the People's Republic of China (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.

(iii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognized directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Consolidated Statement of Cash Flows
For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Loss for the year		(70,280)	(21,124)
Adjustments for:			
Taxation	15	(63)	2,094
Interest income on bank deposits	8	(539)	(763)
Interest income on other receivables	8	(843)	(4,913)
Finance costs	11	21,135	10,077
Depreciation of property, plant and equipment	12	18,538	24,233
Amortisation of intangible assets	12	39	41
Amortisation of prepaid lease payments	12	219	298
Loss/(gain) on disposal of property, plant and equipment		11,503	(16,094)
Fair value changes on financial assets at fair value through profit or loss	9	(362)	281
Written off of inventories	12	351	315
Waive of trade payables	9	–	(14)
Reversal of provision for impairment loss on trade receivables	9	(4,782)	(1,596)
Loss on early redemption of promissory notes	30	20,502	–
Provision for impairment loss on trade receivables	10	7,670	7,994
Provision for impairment loss on property, plant and equipment		–	19,055
Operating cash flows before movements in working capital		3,088	19,884
Decrease/(increase) in inventories		1,399	(4,474)
(Increase)/decrease in trade and bills receivables		(53)	22,890
Decrease in prepayments, deposits and other receivables		33,126	37,042
Increase/(decrease) in trade and bills payables		40,179	(4,844)
Increase/(decrease) in other payables and accruals		3,239	(1,929)
Increase in amount due to a shareholder		3,000	–

	Notes	2010 HK$'000	2009 HK$'000
Cash generated from operations		83,978	68,569
The PRC enterprise income tax refund	15	759	–
The PRC enterprise income tax paid		(3,128)	(733)
Net cash generated from operating activities		81,609	67,836
Investing activities			
Interest received	8	1,382	5,676
Purchase of property, plant and equipment	17	(38,707)	(6,307)
Decrease/(increase) in deposit paid for acquisition of property, plant and equipment		5,044	(10,028)
Deposit paid for acquisition of subsidiaries		–	(70,000)
Proceeds from disposal of property, plant and equipment		35	380
Net cash inflow on acquisition of subsidiaries	32	3	–
Decrease/(increase) in pledged bank deposits		4,512	(4,346)
Net cash used in investing activities		(27,731)	(84,625)
Financing activities			
Interest paid	11	(6,696)	(10,077)
New bank borrowings raised		77,361	114,342
Repayment of bank borrowings		(109,052)	(134,262)
Net proceeds from issue of share		156,568	–
Redemption of promissory notes	30	(130,000)	–
Net cash used in financing activities		(11,819)	(29,997)
Net increase/(decrease) in cash and cash equivalents		42,059	(46,786)
Cash and cash equivalents at beginning of the year		23,958	73,247
Effect of foreign exchange rate changes		(64)	(2,503)
Cash and cash equivalents at end of the year			
Bank balances and cash		65,953	23,958

Notes to the Consolidated Financial Statements

31 March 2010

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 in the People's Republic of China (the "PRC"). During the year, the Group has acquired subsidiaries engaging in iron ore exploration and exploitation operation. The operations has not yet commend during the year. For details of its subsidiaries, please refer to note 39.

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")

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2009.

HKFRSs (Amendments) Improvements 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 Net Investment in a Foreign operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

HKAS 1 (Revised) "Presentation of Financial Statements" has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating Segments" is a disclosure standard that has resulted in a change in presentation of the segment information (see note 6).

The amendments to HKFRS 7 "Financial Instruments: Disclosures" expand and amend the disclosures required in relation to liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Except as described above, the adoption of the new HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs – amendments to HKFRS5[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right 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 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	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 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 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
8 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid land lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for 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 HKFRSs 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 statement of comprehensive income 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.

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 is 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 statement of comprehensive income on a straight-line basis over the lease term.

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 end of the reporting period.

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 statement of comprehensive income in the year in which the item is derecognised.

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 end of the reporting period.

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 right 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 lives 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 amortization rate.

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 statement of comprehensive income 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 end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity under the heading of foreign currency 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 benefits costs

Retirement benefits scheme

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

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap monthly relevant income of HK$ 20,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Share options scheme

The Company operates a share options scheme for the purpose 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. The fair value of share options granted to employee is recognised as an employee cost with a corresponding increase in a capital reserve within equity. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated statement of comprehensive income for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Taxation

Taxation 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 statement of comprehensive income 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 end of the reporting period.

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. 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 end of the reporting period 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 that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also dealt recognised in other comprehensive income or directly in equity respectively.

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 statement of comprehensive income 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 the end of each reporting period, 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.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 the end of each reporting period 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 the end of each reporting period 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 end of the reporting period. 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 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial positions.

Contingent liabilities and 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 the 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 consolidated 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 future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related party transactions

A party considered to be related to the Group if:

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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 that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 end of the reporting period based on changes in circumstances.

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continued to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell value-in-use calculations which require the use of assumptions and estimates.

Income tax

The Group is subject to income taxes in Hong Kong, the PRC and Mongolia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significant as a result of change in market condition. Management will reassess the estimations at the end of the reporting period.

Estimate of recoverable amounts of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell or value-in-use calculations which require the use of assumptions and estimates.

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 statement of financial position.

Measurement of promissory notes

On issue of promissory notes, the fair value is determined using a market rate for an equivalent loan; and this amount is carried at amortised cost basis until extinguished on redemption or cancellation.

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 amount due to a shareholder in note 28, the bank borrowings disclosed in note 29 and equity attributable to owners 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.

The gearing ratio at the year end was as follows:

	2010	2009
	HK$'000	*HK$'000*
Total debt #	85,651	114,342
Owners' equity	438,253	351,554
Gearing ratio	19.54%	32.52%

Total debts comprises amount due to a shareholder and bank borrowings as detailed in notes 28 and 29 respectively.

5B. Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	577	215
Loans and receivables (including cash and cash equivalents)	256,509	267,884
Financial liabilities		
Amortised cost	155,679	141,418
Promissory notes	93,956	–

5C. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, financial assets at fair value through profit or loss and bank balances and cash, trade and bills payables, other payables, amount due to a shareholder, bank borrowings and promissory notes. 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, 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 29 for details) and loans receivable (see note 23 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 29 for details) and bank deposits (see note 25 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 fixed-rate bank borrowings.

Interest rate risk – Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits at the end of the reporting period. The analysis is prepared assuming bank balances and the amount of liability outstanding at the end of the reporting period 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 2010 would increase/decrease by HK$84,000 (2009: increase/decrease by HK$122,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank deposits.

Credit risk

As at 31 March 2010, 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 statement of financial position.

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 the end of each reporting period 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 the 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 an associate as disclosed in note 23.

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				**Total**
	average			**Total**	**carrying**
	effective	**Within**	**undiscounted**	**amount**	
	interest rate	**1 year**	**1-2 years**	**cash flows**	**at year end**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010					
Trade and bills payables	–	55,358	–	55,358	55,358
Other payables	–	14,671	–	14,671	14,671
Amount due to a shareholder	–	3,000	–	3,000	3,000
Bank borrowings	6.75	75,964	10,245	86,209	82,651
Promissory notes	17.00	100,000	–	100,000	93,956
		248,993	10,245	259,238	249,636
2009					
Trade payables	–	15,179	–	15,179	15,179
Other payables	–	11,897	–	11,897	11,897
Bank borrowings	7.13	113,134	5,897	119,031	114,342
		140,210	5,897	146,107	141,418

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.

Other price risk – Sensitivity analysis

The sensitivity analysis 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 2010 would increase/decrease by approximately HK$58,000 (2009: increase/decrease by approximately HK$22,000). 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.

Except as detailed in the following table, management consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair values:

	At 31 March 2010		At 31 March 2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Promissory notes *(note)*	93,956	95,985	–	–

Note: The fair value of the promissory notes is determined assuming redemption on 2 September 2010 and using a 10% interest rate.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

The following table show an analysis of financial instruments recorded at fair value by the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2010				
Financial assets at fair value through profit or loss	577	–	–	577
As at 31 March 2009				
Financial assets at fair value through profit or loss	215	–	–	215

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that 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 for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was the business segment.

The Group was engaged in one business segment in the manufacturing and sales of pharmaceutical products in the PRC during the year ended 31 March 2009. A single management team reports to chief operating decision maker who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segment.

In current year, the segment information is presented into two segments.

For manufacturing and sale of pharmaceutical products operations, the chief operating decision maker regularly reviews the performance of the sales revenue from pharmaceutical products. For segment report under HKFRS 8, financial information of these operations have been aggregated into a single operating segment named "Manufacturing and sales of pharmaceutical products".

For iron ore exploration and exploitation operations, the chief operating decision maker regularly reviews the performance of the iron ore in Mongolia. For segment report under HKFRS 8, financial information of these operations have been aggregated into a single operating segment named "Iron ore exploration and exploitation operations".

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 March 2010

	Manufacturing and sales of pharmaceutical products *HK$'000*	Iron ore exploration and exploitation operations *HK$'000*	Consolidated *HK$'000*
Segment revenue			
Sales to external customers	135,320	–	135,320
Total revenue	135,320	–	135,320
Segment results	(12,392)	(4,884)	(17,276)
Other revenue			1,562
Other gains			4,945
Other expenses			(7,670)
Fair value changes on financial assets at fair value through profit or loss			362
Central administration costs			(10,629)
Loss on early redemption of promissory notes			(20,502)
Finance costs			(21,135)
Loss before taxation			(70,343)
Taxation			63
Loss for the year			(70,280)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2009: Nil).

Segment results represent the loss suffered by each segment without allocation of other revenue, other gains, other expenses, fair value changes on financial assets at fair value through profit or loss, central administration costs, loss on early redemption of promissory notes, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 31 March 2010

	Manufacturing and sales of pharmaceutical products *HK$'000*	**Iron ore exploration and exploitation operations** *HK$'000*	**Consolidated** *HK$'000*
ASSETS			
Segment assets	269,162	261,481	530,643
Unallocated corporate assets			163,760
Consolidated total assets			694,403
LIABILITIES			
Segment liabilities	(155,643)	(94,936)	(250,579)
Unallocated corporate liabilities			(5,571)
Consolidated total liabilities			(256,150)

For the purposes of assessing segment performance and allocating resources between segments, the group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

All assets are allocated to reportable segments other than financial assets at fair value through profit or loss and unallocated corporate assets (mainly include property, plant and equipment and cash and bank balances that are used by the investment holding companies and other receivables that are receivable by the investment holding companies).

All liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly include other payables and accruals borne by the investment holding companies).

Other segment information

For the year ended 31 March 2010

	Manufacturing and sales of pharmaceutical products *HK$'000*	Iron ore exploration and exploitation operations *HK$'000*	Other corporate entities *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment	38,573	119	15	38,707
Depreciation of property, plant and equipment	18,162	82	294	18,538
Amortisation of prepaid lease payments	219	–	–	219
Amortisation of intangible assets	39	–	–	39
Provision for impairment loss on trade receivables	7,670	–	–	7,670

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and Mongolia.

The Group's revenue generated from external customers during the years ended 31 March 2010 and 2009 were generated in the PRC.

The Group's information about its non-current assets by geographical location are detailed below:

	Non-current assets 2010 *HK$'000*	Non-current assets 2009 *HK$'000*
PRC	137,238	133,460
Hong Kong	36	50
Mongolia	260,348	–
	397,622	133,510

Information about major customers

Included in revenue arising from sales of pharmaceutical products of approximately HK$135,320,000 (2009: approximately of HK$167,718,000) are revenues of approximately HK$56,394,000 (2009: approximately of HK$70,665,000) which arose from sales to the Group's major customers.

7. 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 years ended 31 March 2010 and 2009.

8. OTHER REVENUE

	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	539	763
Interest income on loans receivable	843	4,913
	1,382	5,676
Rental income	11	–
Dividend income	38	41
Sundry income	131	1
	1,562	5,718

9. OTHER GAINS

	2010	2009
	HK$'000	*HK$'000*
Waive of trade payables	–	14
Gain on disposal of property, plant and equipment	–	16,094
Reversal of provision for impairment loss on trade receivables	4,782	1,596
Fair value changes on financial assets at fair value through profit or loss	362	–
Exchange gain	–	5,224
Others	163	257
	5,307	23,185

10. OTHER EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Provision for impairment loss on property, plant and equipment	–	19,055
Provision for impairment loss on trade receivables	7,670	7,994
	7,670	27,049

11. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on bank borrowings wholly repayable within five years	6,696	10,077
Imputed interest on promissory notes	14,439	–
	21,135	10,077

12. LOSS BEFORE TAXATION

	2010 *HK$'000*	2009 *HK$'000*
Directors' remuneration *(note 13)*	548	5,243
Other staff costs	17,058	18,808
Other staff's retirement benefits scheme contributions	2,977	2,174
Total salaries	20,583	26,225
Depreciation of property, plant and equipment	18,538	24,233
Amortisation of intangible assets (included in administrative expenses)	39	41
Total depreciation and amortisation	18,577	24,274
Auditors' remuneration	380	380
Amortisation of prepaid lease payments	219	298
Minimum lease payments under operating leases	868	1,117
Cost of inventories recognised as expenses	73,585	90,836
Written off of inventories	351	315
Fair value changes on financial assets at fair value through profit or loss	(362)	281

13. DIRECTORS' REMUNERATION

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

	Directors' fees		Salaries and other benefits		Retirement benefits scheme contributions		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$000*
Executive directors:								
Mr. Lin Dong *(Note a)*	–	–	–	3,580	–	9	–	3,589
Mr. Feng Xiang Cai *(Note b)*	–	–	–	613	–	7	–	620
Mr. Yang Jianxin *(Note c)*	–	–	–	372	–	9	–	381
Ms. Zhang Cheng *(Note d)*	–	–	–	–	–	–	–	–
Mr. Chim Kim Lun, Ricky	–	–	–	–	–	–	–	–
Mr. Chan Sung Wai	–	–	–	–	–	–	–	–
Mr. Zhou Yu Kang	–	–	–	160	–	–	–	160
Mr. Chan Hau Kong *(Note e)*	–	–	–	–	–	–	–	–
Mr. Wong King Lam, Joseph *(Note f)*	156	–	–	–	6	–	162	–
Ms. Yang Lee *(Note g)*	56	–	–	–	–	–	56	–
Mr. Danny Sun *(Note g)*	–	–	–	–	–	–	–	–
	212	–	–	4,725	6	25	218	4,750
Independent non – executive directors:								
Mr. Ngai Sau Chung, Howard *(Note h)*	–	125	–	–	–	–	–	125
Mr. Lin Ye *(Note a)*	–	129	–	–	–	–	–	129
Mr. Zhang Xiufu *(Note i)*	–	142	–	–	–	–	–	142
Mr. Jiang Guoan *(Note j)*	–	13	–	–	–	–	–	13
Mr. Yiu Fai Ming	150	37	–	–	–	–	150	37
Mr. Tse Yuk Kong	150	10	–	–	–	–	150	10
Mr. Zhang Xianlin	30	37	–	–	–	–	30	37
	330	493	–	–	–	–	330	493
	542	493	–	4,725	6	25	548	5,243

Notes:

a. Mr. Lin Dong and Mr. Lin Ye resigned on 16 December 2008.

b. Mr. Feng Xiang Cai resigned on 14 October 2008.

c. Mr. Yang Jianxin resigned on 23 December 2008.

d. Ms. Zhang Cheng resigned on 9 April 2008.

e. Mr. Chan Hau Kong appointed on 30 July 2009.

f. Mr. Wong King Lam, Joseph appointed on 1 October 2009.

g. Ms. Yang Lee and Mr. Danny Sun appointed on 5 February 2010.

h. Mr. Ngai Sau Chung, Howard resigned on 4 December 2008.

i. Mr. Zhang Xiufu resigned on 24 December 2008.

j. Mr. Jiang Guoan resigned on 15 April 2008.

During the years ended 31 March 2010 and 2009, no remunerations were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 March 2010 and 2009.

14. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included two (2009: three) executive directors of the Company, whose remunerations are included in note 13 above. The aggregate emoluments of the remaining three (2009: two) highest paid individuals are as follows:

	2010	**2009**
	HK\$'000	*HK\$'000*
Salaries and other benefits	695	1,240
Retirement benefits scheme contributions	22	21
	717	1,261

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

15. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Current tax		
The PRC enterprise income tax	–	(1,935)
The PRC enterprise income tax refund	759	–
Under provision of the PRC enterprise income tax in prior years	(696)	(159)
Tax credit/(charge) for the year	63	(2,094)

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 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009.

Subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the year ended 31 March 2010 and 2009.

Taxation for the years are reconciled to the loss before taxation as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	70,343	19,030
Tax at the applicable income tax rate	13,088	4,258
Tax effect of expenses not deductible for tax purposes	(3,871)	(12,728)
Tax effect of income not taxable for tax purposes	122	9,761
Effect of tax holiday of subsidiaries operating in the PRC	–	23
Tax effect of tax losses not recognised	(9,349)	(3,218)
Under provision of the PRC enterprise income tax in prior year	(696)	(159)
The PRC enterprise income tax refund	759	–
Tax effects of other deductible temporary differences not recognised	10	(31)
Tax credit/(charge) for the year	63	(2,094)

16. LOSS PER SHARE

Basic and diluted loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of approximately HK$70,280,000 (2009: HK$21,124,000) over a weighted average number of 1,658,138,289 (2009: 1,411,440,590) ordinary shares of the Company during the years. Diluted loss per share for the years ended 31 March 2010 and 2009 is the same as the basic earnings per share as there were no diluting events during the year.

17. 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 2008	84,614	7,167	993	5,870	137,656	1,407	237,707
Additions	144	2,771	–	1,177	996	1,219	6,307
Disposals	(3,808)	(214)	–	(440)	(1,541)	–	(6,003)
Transfers	865	–	–	–	861	(1,726)	–
Adjustments *(note i)*	(184)	–	–	–	(1,228)	–	(1,412)
Exchange adjustments	1,823	148	–	103	2,966	30	5,070
At 31 March 2009 and 1 April 2009	83,454	9,872	993	6,710	139,710	930	241,669
Acquisition of subsidiary	–	296	–	–	–	–	296
Additions	354	1,114	–	1,399	9,816	26,024	38,707
Disposals	(709)	(3,357)	–	(4,582)	(62,561)	–	(71,209)
Transfers	2,406	327	–	–	14,924	(17,657)	–
Adjustments *(note i)*	–	–	–	–	(39)	–	(39)
Exchange adjustments	289	29	–	12	391	22	743
At 31 March 2010	85,794	8,281	993	3,539	102,241	9,319	210,167
Accumulated depreciation and impairment							
At 1 April 2008	15,332	3,753	993	3,110	58,348	–	81,536
Charge for the year	6,699	1,892	–	978	14,664	–	24,233
Impairment loss recognised	–	796	–	41	18,218	–	19,055
Eliminated on disposals	(1,785)	(51)	–	21	(285)	–	(2,100)
Exchange adjustments	330	76	–	50	1,257	–	1,713
At 31 March 2009 and 1 April 2009	20,576	6,466	993	4,200	92,202	–	124,437
Charge for the year	4,085	1,606	–	1,481	11,366	–	18,538
Eliminated on disposals	–	(2,386)	–	(4,149)	(53,206)	–	(59,741)
Exchange adjustments	80	19	–	5	219	–	323
At 31 March 2010	24,741	5,705	993	1,537	50,581	–	83,557
Carrying amounts							
At 31 March 2010	61,053	2,576	–	2,002	51,660	9,319	126,610
At 31 March 2009	62,878	3,406	–	2,510	47,508	930	117,232

Note:

(i) During the year ended 31 March 2010, the Group received government grant of approximately HK$39,000 (2009: approximately HK$1,412,000) 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.

(ii) The Group has pledged building having a carrying amount of approximately HK$31,050,000 and plant and machinery having a carrying amount of approximately HK$23,872,000.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2010	2009
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong:		
Medium term lease	6,205	6,404
Analysed for reporting purposes as:		
Current portion *(note 23)*	219	219
Non-current portion	5,986	6,185
	6,205	6,404

The Group has pledged land use rights having a carrying amount of approximately HK$6,205,000 as at 31 March 2010 (2009: HK$6,404,000) to secure bank borrowings granted to the Group.

19. INTANGIBLE ASSETS

	Technical know-how
	HK$'000
Cost	
At 1 April 2008	1,575
Exchange adjustments	34
At 31 March 2009 and 1 April 2009	1,609
Exchange adjustments	3
At 31 March 2010	1,612
Accumulated amortisation and impairment	
At 1 April 2008	1,471
Charge for the year	41
Exchange adjustments	32
At 31 March 2009 and 1 April 2009	1,544
Charge for the year	39
Exchange adjustments	2
At 31 March 2010	1,585
Carrying amounts	
At 31 March 2010	27
At 31 March 2009	65

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

20. MINING RIGHT

	HK$'000
Cost	
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Acquired through acquisition of subsidiaries	260,015
At 31 March 2010	260,015
Accumulated amortisation and impairment	
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	–
Carrying amount	
At 31 March 2010	260,015

The mining right represent the right to conduct 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 year ended 31 March 2010 as commercial production of the mine has not yet commenced during the year.

The directors 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 year.

21. INVENTORIES

	2010	**2009**
	HK$'000	*HK$'000*
Raw materials	2,395	3,215
Packaging materials and consumables	7,788	6,408
Finished goods	13,661	15,969
	23,844	25,592

During the year ended 31 March 2010, the Group has written off obsolete raw materials of approximately HK$Nil (2009: approximately HK$47,000) and obsolete finished goods of approximately HK$351,000 (2009: approximately HK$268,000).

22. TRADE AND BILLS RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	73,798	76,298
Less: accumulated impairment	(19,141)	(14,334)
	54,657	61,964
Bills receivables discounted/endorsed with recourse	6,855	2,383
	61,512	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 aging analysis of trade receivables, net of provision for impairment loss, and bills receivables discounted/endorsed with recourse at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	39,498	39,722
91 to 180 days	11,677	15,629
181 to 365 days	4,121	8,054
1 to 2 years	6,216	942
	61,512	64,347

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 2010, approximately 83% (2009: 86%) 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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$10,337,000 (2009: HK$8,996,000) 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.

Aging of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
181 to 365 days	4,121	8,054
1 to 2 years	6,216	942
	10,337	8,996

Movement in the provision for impairment loss on trade receivables

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	14,334	8,089
Provision for impairment loss on trade receivables	7,670	7,994
Reversal of provision for impairment loss on trade receivables	(4,782)	(1,596)
Exchange adjustments	1,919	(153)
Balance at end of the year	19,141	14,334

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Included in the provision for impairment loss on trade receivables 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.

During the year ended 31 March 2010, the Group has recovered trade receivables of approximately HK$4,782,000 (2009: HK$1,596,000) which has be impaired in previous years.

Aging of impaired trade receivables

	2010	2009
	HK$'000	*HK$'000*
181 to 365 days	7,670	3,372
1 to 2 years	11,471	10,962
	19,141	14,334

Transfer of financial assets

At 31 March 2010, the Group's bills receivables of approximately HK$6,855,000 (2009: HK$2,383,000) had been transferred to unrelated suppliers with recourse. As the Group is still exposed to credit risk on these bills receivables, the Group continues to recognise the full carrying amount of the bills receivables and record associated trade payables of approximately HK$6,855,000 (2009: HK$2,383,000) in the consolidated statement of financial position.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Amount receivable on disposal of an associate *(note i)*	82,000	135,000
Deposits paid *(note ii)*	30,366	70,248
Loans receivable *(note iii)*	–	21,611
Prepayments	5,774	2,633
Other receivables	19,710	11,382
Prepaid lease payments *(note 18)*	219	219
	138,069	241,093

Notes:

(i) During the year ended 31 March 2008, the Group has disposed of the interest in an associate for a total consideration of HK$180,000,000. The amount was the remaining part of receivable form the acquirer. The acquirer is assessed to be credit worth with reference to the financial position of the acquirer.

(ii) Deposits paid included the deposits paid of HK$10,000,000 for the proposed acquisition of 55% of the entire share capital of PT. Dampar Golden International ("PT. Dampar"). In relation to the sale and purchase agreements entered by the Group on 24 October 2009. For further details, please refer to note 43.

(iii) Loans receivable are unsecured and bear interest at fixed-rate ranging from 10% to 12% per annum and are due within one year. All loans receivable are recovered during the current year.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	**2009**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at quoted price	577	215

25. 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 0.2% to 3.5% (2009: 0.2% to 3.7%) per annum during the year.

Included in the bank balances and cash as at 31 March 2010 were amounts in Renminbi of approximately HK$21,880,000 (2009: HK$33,474,000) which are not freely convertible into other currencies.

At the end of the reporting period, bank deposits amounting to approximately HK$6,826,000 (2009: HK$11,338,000) have been pledged to secure bills payables and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

26. TRADE AND BILLS PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	21,228	15,179
Bills payables	34,130	–
	55,358	15,179

The following is an aging analysis of trade payables at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	13,799	10,085
91 to 180 days	2,898	1,266
181 to 365 days	3,092	2,519
Over 365 days	1,439	1,309
	21,228	15,179

The average credit period on purchases is within 3 months (2009: 3 months).

Bills payables were secured by certain bank deposits (note 25).

27. OTHER PAYABLES AND ACCRUALS

	2010	2009
	HK$'000	*HK$'000*
Value-added tax payable	1,486	1,680
Receipt in advance	1,572	1,876
Accruals	4,376	5,060
Other payables	13,751	7,930
	21,185	16,546

28. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is interest free, unsecured and repayable on demand.

29. BANK BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Bank borrowings		
– secured	59,898	91,667
– unsecured	22,753	22,675
	82,651	114,342
The borrowings are repayable as follows:		
Within one year	72,810	109,070
In the second year	9,841	5,272
	82,651	114,342
Less: Amount due for settlement within 12 months (shown under current liabilities)	(72,810)	(109,070)
Amount due for settlement after 12 months	9,841	5,272
Bank borrowings at:		
– floating interest rates	43,971	48,356
– fixed interest rates	38,680	65,986
	82,651	114,342

The carrying amounts of the Group's bank borrowings 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 borrowings were within the following ranges:

	2010	2009
Bank borrowings	5.6-8.2%	5.8%-9.0%

30. 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 note 32). The effective interest rate is 17%.

	HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Fair value of promissory notes *(note i)*	189,015
Interest charged	14,439
Early redemption of promissory notes	(109,498)
At 31 March 2010	93,956

Notes:

(i) The fair value of the promissory notes issued has been arrived on the basis of a valuation carried out on the completion date of the acquisition by B.I. Appraisals Limited, independent professional valuers not connect with the Group. The valuation was arrived at by reference to income approach.

(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 to 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 holders being located and such notice served).

During the year ended 31 March 2010, the Group repaid at principal amounts 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.

The loss on early redemption in promissory notes was the difference between the principal amount of HK$130,000,000 and the carrying amount at the date of redemption of approximately HK$109,498,000.

31. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010, ordinary shares of HK$0.05 each	10,000,000,000	500,000
Issued and fully paid:		
At 1 April 2008, 31 March 2009, and 1 April 2009, ordinary shares of HK$0.05 each	1,411,440,590	70,572
Placing of shares *(note i)*	426,500,000	21,325
Issue of ordinary shares *(note ii)*	192,660,000	9,633
At 31 March 2010, ordinary shares of HK$0.05 each	2,030,600,590	101,530

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 shares rank pari passu with the existing shares in all respect.

The Company placed 88,000,000 ordinary shares of HK$0.05 each at a placing price of HK$0.26 per share. The ordinary shares were issued on 24 November 2009 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respect.

The Company placed 250,000,000 ordinary shares of HK$0.05 each at a placing price of HK$0.19 per share. The ordinary shares were issued on 22 February 2010 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respect.

(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 shares 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 shares rank pari passu with the existing shares in all respects.

32. 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 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 "Acquisition"). 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 the Acquisition. 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 disclosed as a business combination in accordance with the requirements of HKFRS 3 "Business Combinations". The Acquisition was accounted for as an asset acquisition.

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

	HK$'000
Net assets acquired	
Property, plant and equipment	296
Mining right	260,015
Prepayments, deposits and other receivables	102
Bank balances and cash	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 30)*	189,015
	259,015
Net cash outflow arising on the acquisition	
Cash consideration paid	(70,000)
Bank balances and cash acquired	3
	(69,997)

During the year ended 31 March 2010, no turnover was contributed by Tian Sheng and Khuderbold as they have not carried out any significant business transactions since their acquisition. Included in the loss for the year is HK$4,884,000 attributable by Tian Sheng and Khuderbold.

Had the acquisition been effected on 1 April 2009, the loss for the year would have been HK$70,691,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

33. 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 2010 is 2,030,600,590 shares.

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.

34. RESERVES

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity on pages 37 and 38.

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had committed to make the following future lease payments for office property rented under non-cancellable operating lease which fall due as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	960	1,056
In the second year	960	–
	1,920	1,056

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

36. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had outstanding capital commitments as follows:

	2010	2009
	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	2,631	15,544

37. 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 statement of comprehensive income of HK$2,983,000 (2009: HK$2,199,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

38. 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. Save as disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

Transactions

During the year, the Group entered into the following related party transactions:

	2010	2009
	HK$'000	*HK$'000*
Interest income on loans to a company controlled by a former director *(note)*	–	2,760
Management service income received from a related company	124	–

Note: The former director is Mr. Zhou Yu Kang.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	542	5,218
Retirement benefit scheme	6	25
	548	5,243

39. SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly owned by the Company, at 31 March 2010 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
Infinite Nature Limited	British Virgin Island	US$1	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
Value Brilliant Investments Limited	British Virgin Islands	US$30,000	100%	Investment holding
(Siping Ju Neng Medicine Industry Co., Ltd.) *(note b)*	PRC	RMB105,350,000	100%	Manufacture and sales of pharmaceutical Products
(Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) *(note b)*	PRC	RMB33,333,330	100%	Manufacture and sales of pharmaceutical products
Tian Sheng Resources Development Limited *(note c)*	British Virgin Islands	US$50,000	100%	Investment holding
Khuderbold LLC *(note c)*	Mongolia	US$100,000	100%	Iron Ore exploration and exploitation
Mighty Kingdom Investments Limited *(note d)*	British Virgin Islands	US$1	100%	Investment holding

Notes:

(a) The subsidiaries are directly held by the Company.

(b) The subsidiaries were wholly foreign owned enterprises established in the PRC.

(c) The subsidiaries were acquired on 3 June 2009. (Note 32)

(d) The subsidiary was incorporated during the year.

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.

40. SUMMARISED STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY

Summarised statement of financial position information of the Company at the end of the reporting period includes:

	2010	**2009**
	HK$'000	*HK$'000*
Interests in subsidiaries	106,500	106,500
Prepayments, deposits and other receivables	30,039	70,039
Amounts due from subsidiaries	61,418	119,318
Bank balances and cash	50,615	663
	248,572	296,520
Other payables and accruals	(4,419)	(3,111)
Net assets	244,153	293,409
Share capital *(note 31)*	101,530	70,572
Reserves	142,623	222,837
Total equity	244,153	293,409

Loss of the Company for current year amounted to approximately HK$205,851,000 (2009: HK$4,356,000).

	Share capital	Share premium	Special reserve	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	70,572	497,831	180,030	–	(450,668)	297,765
Loss for the year	–	–	–	–	(4,356)	(4,356)
At 31 March 2009 and 1 April 2009	70,572	497,831	180,030	–	(455,024)	293,409
Loss for the year	–	–	–	–	(205,851)	(205,851)
Other comprehensive expenses for the year	–	–	–	27	–	27
Total comprehensive expenses for the year	–	–	–	27	(205,851)	(205,824)
Issue of shares	30,958	128,305	–	–	–	159,263
Expenses incurred in connection with the issue of shares	–	(2,695)	–	–	–	(2,695)
At 31 March 2010	101,530	623,441	180,030	27	(660,875)	244,153

41. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

42. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at as 31 March 2010.

43. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) 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 the Company to issue the convertible note to the vendor. For further details, please refer to the Company announcement dated 3 November 2009.

(b) On 30 April 2010, the Company has issued 1,015,300,295 ordinary shares pursuant to the Open Offer on the basis of one offer share for every two shares held on the record date at a subscription price of HK$0.13 per offer share. The ordinary shares were issued for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

II. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 June 2010, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$200,297,000, details of which are set out below:

	HK$'000
Bank borrowings, secured	74,363
Bank borrowing, unsecured	22,934
Promissory notes	100,000
Amount due to a shareholder	3,000
	200,297

The secured bank borrowings bear a weighted average interest rate at a rate of 6.1966% per annum. The unsecured bank borrowings bear interest rate at a rate of 6.1065% per annum. The promissory notes are interest free. The maturity dates of promissory notes are 15 months from the date of issue of the promissory notes. The amount due to a shareholder is interest free, unsecured and repayable on demand.

Contingencies

The Enlarged Group did not have any material contingent liabilities or guarantees as at 30 June 2010.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans debt securities or other similar indebtedness, finance leases or hire purchases commitments, liabilities under acceptance or acceptance credits or any guarantee or other material contingent liabilities outstanding as at 30 June 2010.

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 30 June 2010.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 June 2010 and up to the Latest Practicable Date.

III. 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.

IV. 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 2010, the date to which the latest audited consolidated financial statements of the Group were made.

V. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following is the management discussion and analysis of the Company for the three years ended 31 March 2008, 2009 and 2010.

(i) For the year ended 31 March 2010

BUSINESS REVIEW

For the year ended 31 March 2010, the Group's turnover amounted to approximately HK$135,320,000 (2009: HK$167,718,000), from its principal business of pharmaceutical operations, representing a decrease of approximately 19.31% as compared to last year. Correspondingly, gross profit of the Group for the year ended 31 March 2010 decreased to HK$53,763,000 (2009: HK$68,835,000). The gross profit margin has a slight decrease to 40% (2009: 41%) as compared with last year.

During the fiscal year, the selling and distribution cost amounted to approximately HK$40,159,000 (2009: approximately HK$47,895,000); the administrative expenses amounted to approximately HK$41,509,000 (2009: approximately HK$31,747,000); the total finance costs amounted to approximately HK$21,135,000 (2009: HK$10,077,000), mainly included an imputed promissory note interest of HK$14,439,000 (2009: nil) and bank loan interest of HK$6,696,000 (2009: HK$10,077,000).

As a result, the Group recorded a net loss attributable to owners of the Company of approximately HK$70,280,000 (2009: approximately HK$21,124,000). During the year, the loss increased by approximately HK$49,156,000 mainly attributable to decrease of gross profit of HK$15,072,000 from the intravenous fluid business; the loss of HK$20,502,000 on redemption of promissory note; and the expenditure of imputed promissory note interest.

The basic and diluted loss per share for the year ended 31 March 2010 was HK$4.24 cents (2009: basic and diluted loss per share of HK$1.5 cents).

Pharmaceutical Operation

As a result of the decline in sales volume of pharmaceutical products, the Group recorded revenue from the pharmaceutical operation business of approximately HK$135,320,000 for the year ended 31 March 2010 representing a decrease of approximately 19.31% as compared with approximately HK$167,718,000 million of last year.

Accordingly, this segment recorded a loss of HK$12,392,000 in the fiscal year.

The operating environment of the Pharmaceutical Operation for the year under review was full of challenges. The decline in sales volume was mainly due to (i) the Group's competitors have slashed prices to promote sales; (ii) the Group has restructured its production plants in the PRC which required the clearance of part of its existing production plants. This action was resulted in a temporary decline in production volume of our product.

Looking forward to next year, it is unlikely that the operating environment of intravenous fluids will improve and the profitability of which will rise remarkably. Having said that, the productivity of the factories will be enhanced in the coming years as a result of restructuring its production plant in 2009 and the new production line is expected to commence production in late 2010. As such the management has confidence to enhance the financial results of the intravenous fluids business in the coming year.

Iron Ore Mine Operation

In view of the high demand of steel under rapid economic growth in the emerging countries, which is the major driving force for expanding the production capacity of the iron ore industry. In particular, the continued economic growth, accelerated industrialization and urbanization in the PRC, there will lead to a sustained demand for natural resources in the long run.

The iron ore mining and production industry is dominated by a few world-class mining giant who have longer history of operation, more experience and with greater bargaining power. Though competition amongst the industry players is keen, the Directors believe that smaller and less experienced mining companies still have an edge over the large-scaled producers. By increasing the operation and management efficiency, improving service and product qualities and acting promptly at time of market disequilibrium, similar market participant will be able to make profits.

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 respectively entered into a conditional sale and purchase agreement and supplemental agreements to acquire the entire issued share capital in Tian Sheng Resources Development Limited ("Tian Sheng"). 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.

Since completion of the acquisition, the Mongolia subsidiary has conducted drilling, sampling and testing procedures on the mining site. Explorations have been carried out in the mining area, no production has been commenced at this stage.

Accordingly, Tian Sheng Group recorded a loss of approximately HK$4,884,000 for the year ended 31 March 2010. The loss was mainly comprised of administrative and exploration expenses. The management has established a working group to speed up the process of iron ore mine exploration and planning work and to identify business opportunities in the market.

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK$438,253,000 as at 31 March 2010 from approximately HK$351,554,000 as at 31 March 2009. As at 31 March 2010, the short term and long term interest bearing debts to shareholders' equity was approximately 18.86% (as at 31 March 2009 : approximately 32.52%).

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.

As announced on 8 February 2010, the Group has conditionally agreed to place, through a placing agent, on a best effort basis, up to 250,000,000 placing shares not later than 1 March 2010 under the General Mandate at a price of HK$0.19 per placing share. As of to date, 250,000,000 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group had total assets of HK$694,403,000 (2009: HK$500,053,000) which was financed by current liabilities of HK$246,309,000 (2009: HK$143,227,000), non-current liability of HK$9,841,000 (2009: HK$5,272,000) and shareholders' equity of HK$438,253,000 (2009: HK$351,554,000).

The Group's current ratio as at 31 March 2010 was approximately 1.20 (2009: 2.56) and gearing ratio, representing the total borrowings and amount due to a shareholder divided by the shareholders' equity was approximately 19.54% (2009: 32.52%). The total outstanding borrowings of the Group as at 31 March 2010 were denominated in Renminbi, about 48% (2009: 42%) borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

As at 31 March 2010, certain buildings with aggregate carrying amount of approximately HK$31,050,000 (2009: approximately HK$20,826,000), plant and machinery amounting to approximately HK$23,872,000 (2009: HK$11,915,000), land use rights amount of approximately HK$6,205,000 (2009: HK$6,404,000) and bank deposits amount of approximately HK$6,826,000 (2009: HK$11,338,000) had been pledged to secure banking facilities granted to the Group.

As at 31 March 2010, except for the capital commitment of acquisitions of non-currents assets amounting to HK$2,631,000, 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 ended 31 March 2010. 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 853 employees in Hong Kong and the PRC as at 31 March 2010. 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.

(ii) For the financial year ended 31 March 2009

Business review

In the year ended 31 March 2009, the Group recorded a revenue of HK$167,718,000 (2008: HK$170,445,000), which represented a slightly decrease of about 1.6% as compared to previous year. The loss attributable to shareholders for the year amounted to HK$21,124,000 (2008: profit of HK$65,382,000).

During the year ended 31 March 2009, due to the steady price in the intravenous fluid market and the effectiveness of the Group's cost control measures, gross profit margin for the year reached 41% (2008: 42%), similar to that of year 2008.

Profit for the year decreased significantly by approximately HK$86,506,000 as the Group disposed some of its investments in 2008. In 2008, the Group disposed its associates which engaged in properties development in the PRC and its investment properties in Beijing. As a result, the gain on the above disposals was approximately HK$73,691,000 and approximately HK$2,664,000 respectively was recognized in 2008. In addition, the share of loss of associates of the Group was approximately HK$3,381,000 in the same year. For year 2009, the Group will not share of any loss of the associates following its disposal. The above three extraordinary items contributed a net income of approximately HK$72,974,000 to the Group in 2008. Loss for 2008 should be approximately HK$7,592,000 if those three extraordinary items was excluded.

The increase in loss for the year was mainly due to the increase of other expense by approximately HK$26,118,000. In order to expand our production capacity, the Group restructures its production plants in the PRC which required the clearance of part of its existing production plants. As a result, the Group valued its fixed assets and recognized an impairment loss of approximately HK$19,055,000 during the year ended 31 March 2009. In addition, the Group considered trade receivables of approximately HK$7,994,000 to be irrecoverable and impairment loss was recognised.

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 (collectively referred as the "Acquisition Agreement") to acquire the entire issues share capital in Tian Sheng Resources Development Limited ("Tian Sheng"). The main asset of Tian Sheng is the entire equity interest in a Mongolia subsidiary which principally engaged in conducting mining work for iron resources in Mongolia at consideration of HK$300,000,000. Under the Acquisition Agreement, the consideration shall be settled by (i) HK$70,000,000 in cash and (ii) HK$230,000,000 by the Company's (through a wholly-owned subsidiary) issue to Boa Fung Investments Limited of promissory notes. For further details, please refer to the Company's circular dated 31 March 2009. The acquisition was completed on 3 June 2009.

Prospects

Following the commencement of the Group's restructuring of production plants, its production capacity will increase significantly. It is expected that the Group will be able to further enhance its market share and profit contribution through restructuring of its production equipments, optimizing production process and strengthening quality control.

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.

Financial resources and liquidity

As a t 31 March 2009, the Group had total assets of HK$500,053,000 (2008: HK$570,280,000) which was financed by current liabilities of HK$143,227,000 (2008: HK$196,332,000), long term liability of HK$5,272,000 (2008: Nil) and shareholders' equity of HK$351,554,000 (2008: HK$373,948,000).

The Group's current ratio as at 31 March 2009 was approximately 2.56 (2008: 2.06) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 32.52% (2008: 35.90%). The total outstanding borrowings of the Group as at 31 March 2009 were denominated in Renminbi, about 42% (2008: 32%) borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

As at 31 March 2009, certain buildings with aggregate carrying amount of approximately HK$20,826,000 (2008: approximately HK$21,055,000), plant and machinery amounting to approximately HK$11,915,000 (2008: HK$29,085,000), land use rights amount of approximately HK$6,404,000 (2008: HK$4,972,000) and bank deposits amount of approximately HK$11,338,000 (2008: HK$6,992,000) had been pledged to secure banking facilities granted to the Group.

As at 31 March 2009, except for the capital commitment of acquisitions of non-currents assets amounting to HK$15,544,000, 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 ended 31 March 2009. 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 839 employees in Hong Kong and the PRC as at 31 March 2009. 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.

(iii) For the financial year ended 31 March 2008

Business review

In the year ended 31 March 2008, 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 year 2008 recorded a growth of 28% as compared to year 2007 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 year 2007.

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 in 2007, 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.

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.

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

16 August 2010

The Board of 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 financial information regarding PT. Dampar Golden International ("PT. Dampar"), for the period from 21 December 2009 (date of incorporation) to 28 February 2010 (the "Relevant Period") (the "Financial Information"), for inclusion in the circular of Asia Resources Holdings Limited (the "Company") dated 16 August 2010 (the "Circular") in connection with the conditional acquisition agreement dated 24 October 2009 (the "Acquisition Agreement") entered into between the Company, Mighty Kingdom Investments Limited ("Mighty Kingdom"), a wholly-owned subsidiary of the Company and Empire Bridge Assets Limited ("Empire Bridge") pursuant to which Mighty Kingdom would acquire 55% of the entire issued share capital in PT. Dampar at a total consideration of HK$577,500,000 (collectively referred as to the "Acquisition").

The consideration shall be satisfied (i) as to HK$30,750,000 as a refundable deposit payable in cash by Mighty Kingdom to Empire Bridge or its nominee(s) from internal resources of the Group and/or third party financing on or before the completion of the Acquisition (referred as to the "Completion"); and (ii) as to HK$546,750,000 by Mighty Kingdom procuring the Company to issue the convertible note to Empire Bridge or its nominee(s) on the Completion.

PT. Dampar is a company incorporated in Indonesia with limited liability and beneficially owned by Empire Bridge as to 60% and PT. Indo Modern Mining Sejahtera ("Indo") as to 40%.

PT. Dampar adopts 31 March as its financial year end date. No audited financial statements of PT. Dmapar have been prepared since its incorporation date.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of PT. Dampar based on the financial statements for the Relevant Period, 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 PT. Dampar 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 PT. Dampar as at 28 February 2010 and of the results and cash flows of PT. Dampar for the Relevant Period in accordance with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION OF PT. DAMPAR

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the period from 21 December 2009 (date of incorporation) to 28 February 2010 HK$
Turnover	6	–
Administrative expenses		(29,640)
Loss before taxation	7	(29,640)
Taxation	9	–
Loss for the period		(29,640)
Other comprehensive income		
Other comprehensive income for the period, net of tax		–
Total comprehensive expense for the period		(29,640)
Loss attributable to:		
Owners of PT. Dampar		(29,640)
Total comprehensive expense attributable to:		
Owners of PT. Dampar		(29,640)
Loss per share		
Basic and diluted	11	0.30

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

STATEMENT OF FINANCIAL POSITION

	Notes	As at 28 February 2010 HK$
Current asset		
Amount due from a shareholder	*12*	780,000
		780,000
Current liability		
Amount due to an immediate holding company	*13*	29,640
		29,640
Net current asset		750,360
Total asset less current liability		750,360
Net assets		750,360
Capital and reserve		
Share capital	*14*	780,000
Reserve		(29,640)
Total equity attributable to owners of PT. Dampar		750,360

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	HK$	*HK$*	*HK$*
At 21 December 2009 (date of incorporation)	–	–	–
Issue of shares	780,000	–	780,000
Loss for the period	–	(29,640)	(29,640)
At 28 February 2010	**780,000**	**(29,640)**	**750,360**

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

STATEMENT OF CASH FLOWS

	For the period from 21 December 2009 (date of incorporation) to 28 February 2010
	HK$
Cash flows from operating activities	
Loss before taxation	(29,640)
Operating loss before movements in working capital	(29,640)
Increase in amount due from a shareholder	(780,000)
Increase in amount due to an immediate holding company	29,640
Net cash used in operating activities	(780,000)
Cash flow from financing activity	
Issue of shares	780,000
Net cash generated from financing activity	780,000
Net increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	–

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

NOTES TO THE FINANCIAL INFORMATION

1. General information

The registered office of PT. Dampar is at d/a JI. abdul Rahman Saleh No. 08, Lumajiang, East Java, Indonesia. PT. Dampar is beneficially owned by Empire Bridge as to 60% and PT. Indo Modern Mining Sejahtera ("Indo") as to 40%. PT. Dampar was incorporated in Indonesia on 21 December 2009 as an exempted company with limited liability.

PT. Dampar acts as general business consulting, exportation and trading of iron sand deposits. The Financial Information is presented in Hong Kong Dollars ("HK$"). The functional currency of PT. Dampar is US Dollars ("USD").

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 PT. Dampar 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.

PT. Dampar has not yet early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

PT. Dampar 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 standards, 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 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Right Issues[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-Time Adopters[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Shared-based Payment Transactions[2]
HKFRS 9	Financial Instruments[7]
HKFRIC – Int 14	Prepayments of a Minimum Funding Requirement[6]
HKFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 January 2010, except for the amendments to HKAS 38, HKFRS 2, HKFRIC – Int 9 and HKFRIC – Int 16 which are effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
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 directors of PT. Dampar expect that the adoption of the above new and revised standards, amendments and interpretations will not have any significant impact on PT. Dampar's financial statements in the period of initial application.

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

(a) Impairment

At the end of each reporting period, the directors of PT. Dampar review the carrying amounts of the 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under that standard.

(b) Foreign currencies

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

(c) 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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. PT. Dampar's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date.

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. 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 profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(d) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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 the end of each reporting period 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 loan and receivables

Loan and receivables are assessed for indicators of impairment at the end of each reporting period. Loan 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 loan 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 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 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 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 PT. Dampar 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 PT. Dampar after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial 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 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.

Equity instruments

Equity instruments issued by PT. Dampar 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 PT. Dampar 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 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.

(e) Provisions

Provisions are recognised when PT. Dampar has a present obligation as a result of a past event, and it is probable that PT. Dampar will be required to settle that obligation. Provisions are measured at the best estimate of the directors of PT. Dampar of the expenditure required to settle the obligation as at the end of the reporting period, and are discounted to present value where the effect is material.

(f) 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 PT. Dampar. 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 PT. Dampar. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(g) Related party transactions

Parties are considered to be related to PT. Dampar if:

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

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 PT. Dampar 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 PT. Dampar, of any entity that is related party of PT. Dampar.

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

PT. Dampar manages its capital to ensure that PT. Dampar will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. PT. Dampar's overall strategy remains unchanged during the Relevant Period.

The capital structure of PT. Dampar consists of debt, which includes amount due to an immediate holding company in note 13 and equity attributable to owners of PT. Dampar, comprising issued share capital and reserve.

The directors of PT. Dampar 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. Based on recommendations of the directors, PT. Dampar will balance its overall capital structure through the raising of new debt or the redemption of existing debt.

PT. Dampar monitors its capital structure on the basis of gearing ratio. The debt-to-equity ratio is calculated as total borrowings divided by total equity. As at 28 February 2010, PT. Dampar's gearing ratio is 3.95%.

4. Financial instruments

(a) Categories of financial instruments

	As at 28 February 2010
	HK$
Financial assets	
Loans and receivables (including cash and cash equivalent)	–
Financial liabilities	
Amortised cost	29,640

(b) Financial risk management objectives and policies

PT. Dampar's major financial instruments include amount due from a shareholder and amount due to an immediate holding company. 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

PT. Dampar's majority of transactions are denominated in USD. Therefore, PT. Dampar's is not exposed to foreign exchange risk. HK$ are pegged to USD and the foreign exchange exposures between them are considered limited.

PT. Dampar does not have a foreign currency hedging policy during the Relevant Period.

(ii) Interest rate risk

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

(iii) Price risk

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

Credit risk

PT. Dampar is not exposed to credit risk in the event of the counterparties' failure to perform their obligations at the Relevant Period in relation to the recognised financial asset is the carrying amount of those assets as stated in the statement of financial position.

Liquidity risk

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

(c) Fair value

The fair value of PT. Dampar'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 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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not bade on observable market data.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

5. Key sources of estimation uncertainty

In the process of applying the accounting policies set out in Note 2 to the Financial Information, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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. PT. Dampar does not have significant estimation uncertainty made in each class of items in the statement of financial position as at the end of the reporting period.

6. Turnover and segment information

PT. Dampar did not generate revenue during the Relevant Period.

PT. Dampar was engaged in one business segment acting as general business consulting, exportation and trading of iron sand deposits during the Relevant Period. A single management team reports to chief operating decision maker who comprehensively manages the entire business. Accordingly, as per HKFRS 8 "Operating Segments", PT. Dampar does not have separately reportable segment.

7. Loss before taxation

No directors' remuneration and employees' emoluments were paid by PT. Dampar during the Relevant Period.

No auditors' remuneration was paid by PT. Dampar during the Relevant Period.

8. Employee benefits expenses

(a) Directors' remuneration

	For the period from 21 December 2009 (date of incorporation) to 28 February 2010
	HK$
Mr. Lam Chong San (appointed on 21 December 2009)	–
Mr. Lam Gary (appointed on 21 December 2009)	–
Ms. Lam Sun (appointed on 21 December 2009)	–
Ms. Stella Goei Sze Wan (appointed on 21 December 2009)	–
Ms. Tang Sze Wan (appointed on 21 December 2009)	–
Fee, salaries, allowance and bonus	–

(b) Employees' emolument

No staff was employed by PT. Dampar during the Relevant Period.

9. Taxation

No provision for profits tax has been made as PT. Dampar does not have any assessable profit subject to taxation during the Relevant Period.

There was no material unprovided deferred tax assets and liabilities for the Relevant Period.

10. Dividend

The directors of PT. Dampar does not recommend the payment of any dividend for the Relevant Period.

11. Loss per share

Basic and diluted loss per share

The calculation of the basic loss per share is based on the loss for the Relevant Period attributable to the owners of PT. Dampar of approximately HK$29,640 over a weighted average number of 100,000 ordinary shares of PT. Dampar during the Relevant Period. Diluted loss per share for the Relevant Period is the same as the basic loss per share as there were no diluting events during the Relevant Period.

12. Amount due from a shareholder

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

13. Amount due to an immediate holding company

The amount due to an immediate holding company was unsecured, interest free and repayable on demand.

14. Share capital

	Number of ordinary shares	Amount	
		USD	*HK$*
Authorised:			
Ordinary share at par value of USD1.00 each	100,000	100,000	780,000
Issued and fully paid:			
At 21 December 2009 (date of incorporation)	–	–	–
Issue of shares	100,000	100,000	780,000
28 February 2010	100,000	100,000	780,000

PT. Dampar was incorporated with an initial authorised share capital of US$100,000 divided into 100,000 ordinary shares of USD1 each.

15. Material related party transactions

Save as disclosed elsewhere in the Financial Information, there was no other material related party transactions during the Relevant Period.

16. Capital commitment and contingent liabilities

PT. Dampar does not have any significant capital commitment and contingent liabilities as at 28 February 2010.

17. Events after the reporting period

No significant events took place subsequent to 28 February 2010.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for PT. Dampar in respect of any period subsequent to 28 February 2010 and no dividends or other distributions have been declared by PT. Dampar in respect of any period subsequent to 28 February 2010.

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

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

16 August 2010

The Board of 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") and PT. Dampar Golden International ("PT. Dampar") (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 purposes only, to provide information about how the proposed acquisition of 55% of the entire equity interest of PT. Dampar (the "Acquisition") might have affected the financial information presented, for inclusion as Appendix I of the circular of the Company dated 16 August 2010 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 3 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 rule 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 rule 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 rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments 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 31 March 2010 or any future date; or
- the financial results and cash flows of the Enlarged Group for the year ended 31 March 2010 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

1. INTRODUCTION

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with the rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 March 2010 for the consolidated statement of financial position and 1 April 2009 for the consolidated statement of comprehensive income and consolidated statement of cash flows.

The unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2010 and the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2010 as set out in Appendix I to the Circular, the audited statement of financial position of PT. Dampar as at 28 February 2010, the audited statement of comprehensive income and statement of cash flows of PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 31 March 2010 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 2009, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information on the Group as set out in Appendix I and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has 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.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Acquisition has been completed on 31 March 2010. The unaudited pro forma consolidated statement of financial position is based on the audited consolidated statement of financial position of the Group as at 31 March 2010 as set out in Appendix I to the Circular, the audited statement of financial position of PT. Dampar as at 28 February 2010 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable.

As the unaudited pro forma consolidated statement of financial position of the Enlarged Group after completion of the Acquisition 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 after completion of the Acquisition as at the date to which it is made up to or at any future date.

	Audited Consolidated Statement of Financial Position of the Group as at 31 March 2010	Audited Statement of Financial Position of PT. Dampar as at 28 February 2010	Sub-total	Pro forma adjustments		Unaudited Pro forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	126,610	–	126,610			126,610
Prepaid lease payments	5,986	–	5,986			5,986
Intangible assets	27	–	27	1,049,250	2	1,049,277
Mining right	260,015	–	260,015			260,015
Deposits for acquisition of property, plant and equipment	4,984	–	4,984			4,984
	397,622	–	397,622			1,446,872
Current assets						
Inventories	23,844	–	23,844			23,844
Trade and bills receivables	61,512	–	61,512			61,512
Prepayments, deposits and other receivables	138,069	–	138,069	(9,220)	1(a), 3	128,849
Amount due from a shareholder	–	780	780	(780)	3	–
Financial assets at fair value through profit or loss	577	–	577			577
Pledged bank deposits	6,826	–	6,826			6,826
Bank balances and cash	65,953	–	65,953	(20,750)	1(a)	45,203
	296,781	780	297,561			266,811

	Audited Consolidated Statement of Financial Position of the Group as at 31 March 2010	Audited Statement of Financial Position of PT. Dampar as at 28 February 2010	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current liabilities						
Trade and bills payables	55,358	–	55,358			55,358
Amount due to an immediate holding company	–	30	30	(30)	4	–
Other payables and accruals	21,185	–	21,185	30	4	21,215
Amount due to a shareholder	3,000	–	3,000			3,000
Bank borrowings	72,810	–	72,810			72,810
Promissory notes	93,956	–	93,956			93,956
	246,309	30	246,339			246,339
Net current assets	50,472	750	51,222			20,472
Total assets less current liabilities	448,094	750	448,844			1,467,344
Capital and reserves						
Share capital	101,530	780	102,310	(780)	7	101,530
Reserves	336,723	(30)	336,693	132,114	8	468,807
Total equity attributable to:						
Owners of the Company	438,253	750	439,003			570,337
Minority interests	–	–	–	472,500	5	472,500
	438,253	750	439,003			1,042,837
Non-current liabilities						
Bank borrowings	9,841	–	9,841			9,841
Convertible notes	–	–	–	388,565	1(b)	388,565
Deferred tax liabilities	–	–	–	26,101	6	26,101
	9,841	–	9,841			424,507
	448,094	750	448,844			1,467,344

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

The following is the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, assuming that Acquisition has been completed on 1 April 2009. The information is based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2010 as set out in Appendix I to the Circular, the audited statement of comprehensive income of PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of comprehensive income 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 Statement of Comprehensive Income of the Group for the year ended 31 March 2010	Audited Statement of Comprehensive Income of PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Revenue	135,320	–	135,320			135,320
Cost of sales	(81,557)	–	(81,557)			(81,557)
Gross profit	53,763	–	53,763			53,763
Other revenue	1,562	–	1,562			1,562
Other gains	5,307	–	5,307			5,307
Distribution and selling expenses	(40,159)	–	(40,159)			(40,159)
Administrative expenses	(41,509)	(30)	(41,539)			(41,539)
Loss on early redemption of promissory notes	(20,502)		(20,502)			(20,502)
Other expenses	(7,670)	–	(7,670)			(7,670)
Finance costs	(21,135)	–	(21,135)	(19,428)	9	(40,563)
Loss before taxation	(70,343)	(30)	(70,373)			(89,801)
Taxation	63	–	63	3,206	10	3,269
Loss for the year/period	(70,280)	(30)	(70,310)			(86,532)
Other comprehensive income						
Other comprehensive income, net of tax	1,439	–	1,439			1,439
Total comprehensive expenses for the year/period	(68,841)	(30)	(68,871)			(85,093)
Loss for the year/period attributable to:						
– Owners of the Company	(70,280)	(30)	(70,310)			(86,518)
– Minority interests	–	–	–	(14)	11	(14)
	(70,280)	(30)	(70,310)			(86,532)
Total comprehensive expenses attributable to:						
– Owners of the Company	(68,841)	(30)	(70,310)			(85,079)
– Minority interests	–	–	–			(14)
	(68,841)	(30)	(70,310)			(85,093)
Loss per share						
– Basic and diluted (HK cents per share)	(4.24)	(30)			12	(5.22)

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

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that Acquisition has been completed on 1 April 2009. The information is based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2010 as set out in Appendix I to the Circular, the audited statement of cash flows of PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010. Such information is adjusted to reflect the effect of Acquisition.

As the unaudited pro forma consolidated statement of cash flows 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 Statement of Cash Flows of the Group for the year ended 31 March 2010	Audited Statement of Cash Flows of PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Loss for the year/period	(70,280)	(30)	(70,310)	(16,222)	13	(86,532)
Adjustments for:						
Taxation	(63)	–	(63)	(3,206)	10	(3,269)
Interest income on bank deposits	(539)	–	(539)			(539)
Interest income on loan receivables	(843)	–	(843)			(843)
Finance costs	21,135	–	21,135	19,428	9	40,563
Depreciation of property, plant and equipment	18,538	–	18,538			18,538
Amortisation of intangible assets	39	–	39			39
Prepaid lease payments	219	–	219			219
Loss on disposal of property, plant and equipment	11,503	–	11,503			11,503
Fair value change on financial assets at fair value through profit or loss	(362)	–	(362)			(362)
Written-off of inventories	351	–	351			351
Reversal of provision for impairment on trade receivables	(4,782)	–	(4,782)			(4,782)
Loss on early redemption of promissory notes	20,502		20,502			20,502
Provision for impairment on trade receivables	7,670	–	7,670			7,670

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 March 2010 *HK$'000*	Audited Statement of Cash Flows PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	Unaudited Pro forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2010 *HK$'000*
Operating cash flows before movements in working capital	3,088	(30)	3,058			3,058
Decrease in inventories	1,399	–	1,399			1,399
Increase in trade and bills receivables	(53)	–	(53)			(53)
Decrease/(increase) in prepayments, deposits and other receivables	33,126	(780)	32,346	10,000	1(a)	42,346
Increase in trade and bills payables	40,179	–	40,179			40,179
Increase in other payables and accruals	3,239	–	3,239			3,239
Increase in amount due to a shareholder	3,000	–	3,000			3,000
Increase in amount due to a director	–	30	30			30
Cash generated from/(used in) operations	83,978	(780)	83,198			93,198
The PRC enterprise income tax refund	759		759			759
The PRC enterprise income tax paid	(3,128)	–	(3,128)			(3,128)
Net cash generated from/(used in) operating activities	81,609	(780)	80,829			90,829
Investing activities						
Interest received	1,382	–	1,382			1,382
Purchase of property, plant and equipment	(38,707)	–	(38,707)			(38,707)
Decrease in deposit paid for acquisition of property, plant and equipment	5,044	–	5,044			5,044
Cash consideration paid for acquisition of subsidiaries	–	–	–	(30,750)	1(a)	(30,750)
Proceeds from disposal of investment properties	35	–	35			35
Proceeds from acquisition of a subsidiary	3	–	3	780	14	783
Decrease in pledged bank deposit	4,512	–	4,512			4,512
Net cash used in investing activities	(27,731)	–	(27,731)			(57,701)

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 March 2010	Audited Statement of Cash Flows PT. Dampar for the period from 21 December 2009 (date of incorporation) to 28 February 2010	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Financing activities						
Net proceeds from issue of shares	156,568	780	157,348	(780)	14	156,568
Interest paid	(6,696)	–	(6,696)			(6,696)
New bank borrowings raised	77,361	–	77,361			77,361
Repayment of bank borrowings	(109,052)	–	(109,052)			(109,052)
Redemption of promissory notes	(130,000)		(130,000)			(130,000)
Net cash (used in)/generated from financing activities	(11,819)	780	(11,039)			(11,819)
Net increase in cash and cash equivalents	42,059	–	42,839			21,309
Cash and cash equivalents at beginning of the year/period	23,958	–	23,958			23,958
Effect of foreign exchange rate changes	(64)	–	(64)			(64)
Cash and cash equivalents at end of the year/period						
Bank balances and cash	65,953	–	66,733			45,203

(IV) Notes to the Unaudited Pro Forma Financial Information

In preparation of the Unaudited Pro Forma Financial Information, since PT. Dampar did not commenced the business yet, it is assumed that the Acquisition did not constitute an acquisition of business but acquisition of net asset of PT. Dampar in substance. Under HKFRS 3 Business Combination, the cost of the Acquisition should be allocated between the individual identifiable assets and liabilities in PT. Dampar based on their relevant fair value at the date of acquisition.

The adjustments reflected the following:

1. The consideration for Acquisition to be satisfied by Mighty Kingdom Investments Limited ("Mighty Kingdom") is approximately HK$577,500,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration *(note 1(a))*	30,750
Convertible notes (the "Convertible Notes") *(note 1(b))*	546,750
	577,500

Notes:

(a) The cash consideration shall be funded by the Company's internal resources and/or bank borrowings. As at 31 March 2010, the Group has deposit paid for the Acquisition of HK$10,000,000.

(b) In accordance with Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", the Convertible Notes should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group, it is assumed that the amount of approximately HK$546,750,000 has taken to be its fair value as if it was issued upon completion of the Acquisition. The adjustment of approximately HK$388,565,000 represented the fair value of the liability portion of the Convertible Notes based on the calculation of the discounted cash flow method at an effective interest rate of 5% and the remaining amount of approximately HK$158,185,000 being the fair value of the equity company of the Convertible Notes. The effective interest rate is assumed at the prevailing prime rate. Please refer to Note 6 for the details of the equity portion of the Convertible Notes.

2. The pro forma adjustment of approximately HK$1,049,250,000 represented the fair value adjustments of the exclusive right held by PT. Dampar in managing the iron sand deposit as if the Acquisition was completed on 31 March 2010.

   The basis of the fair value of the exclusive right of managing the iron sand deposit is set out as follows:

	HK$'000
Assumed fair value of the consideration to acquire 100% equity interest in PT. Dampar *(note a)*	1,050,000
Elimination of the net asset of PT. Dampar as at 28 February 2010	(750)
	1,049,250

Note:

(a) Fair value of the consideration to acquire 100% equity interest in PT. Dampar is assumed as follows:

	HK$'000
Fair value of consideration to acquire 55% of the entire equity interest in PT. Dampar *(Note 1)*	577,500
Fair value of consideration to acquire 100% equity interest in PT. Dampar	1,050,000

3. The pro forma adjustment represented the reallocation of amount due from a shareholder to other receivables upon the completion of the Acquisition.

4. The pro forma adjustment represented the reallocation of amount due to an immediate holding company to other payables upon the completion of the Acquisition.

5. The pro forma adjustment of approximately HK$472,500,000 represented the elimination of 45% of the entire equity interest in PT. Dampar upon the completion of the Acquisition.

6. The pro forma adjustment of approximately HK$26,101,000, represented the deferred tax liabilities arising from Convertible Notes.

Notes:

The basis of the deferred tax liabilities arising from the Convertible Notes is set out as follows:

	HK$'000
Assumed fair value of Convertible Notes	546,750
Less: Carrying amount of Convertible Notes as at 31 March 2010 *(note 1(b))*	(388,565)
Temporary difference	158,185
Deferred tax liabilities at tax rate of 16.5%	26,101

7. The pro forma adjustment represented the elimination of the share capital of PT. Dampar.

8. The pro forma adjustment of approximately HK$132,114,000, represented the net effect of elimination of the pre-acquisition reserves, the recognition of the equity component of the Convertible Notes and the recognition of excess of acquirer's interest in the fair value of acquiree's identifiable net assets over cost for acquisition of PT. Dampar as if the Acquisition was completed on 31 March 2010. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of PT. Dampar	30
Recognition of the equity component of Convertible Notes *(note 1(b))*	158,185
Recognition of deferred tax liabilities *(note 6)*	(26,101)
	132,114

9. The pro forma adjustment of approximately HK$19,428,000 represents annual finance cost of imputed interest expenses of Convertible Notes to be expensed in the consolidated statement of comprehensive income of the Enlarged Group with the imputed interest rate of 5% for the year ended 31 March 2010. These interest expenses shall have continuing effect on the consolidated financial statements of the Enlarged Group in subsequent years.

10. The pro forma adjustment represented the deferred tax effect to the consolidated statement of comprehensive income of the Enlarged Group of approximately HK$3,206,000 arising from the issue of Convertible Notes. The deferred tax shall have continuing effect on the consolidated financial statements of the Enlarged Group in subsequent years.

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

	HK$'000
Deferred tax liabilities as at 1 April 2009, at tax rate of 16.5%	26,101
Less: Deferred tax liabilities as at 31 March 2010, at tax rate of 16.5%	(22,895)
Deferred tax effect	3,206

	HK$'000
Face amount of the Convertible Notes	546,750
Less: Carrying amount of the Convertible Notes as at 1 April 2009	(388,565)
Temporary difference as at 1 April 2009	158,185
Deferred tax liabilities as at 1 April 2009	26,101

	HK$'000
Face amount of the Convertible Notes	546,750
Less: Carrying amount of the Convertible Notes as at 31 March 2010	(407,993)
Temporary difference as at 31 March 2010	138,757
Deferred tax liabilities as at 31 March 2010	22,895

11. The pro forma adjustment of approximately HK$14,000 represented the elimination of 45% of the entire equity interest in PT. Dampar upon completion of the Acquisition.

12. The calculation of unaudited pro forma basic loss per share is based on the Enlarged Group's pro forma net loss attributable to the equity holders of the Company of approximately HK$86,518,000 divided by the weighted average number of ordinary shares of 1,658,138,289 of the Enlarged Group upon the completion of the Acquisition. No adjustment had been made to the pro forma weighted average number of ordinary shares in calculation the pro forma basis loss per share because no shares would be issued as consideration as a result of the Acquisition.

    Diluted loss per share is the same as the basic loss per share as there were no diluting events.

13. The pro forma adjustments to the consolidated statement of cash flows of approximately HK$16,222,000 represented the recognition of the finance cost of the Convertible Notes of approximately HK$19,428,000 and deferred tax effect of approximately HK$3,206,000 arising from issue of the Convertible Notes for the purpose of adjusting the profit for the year, as if the Acquisition was completed on 1 April 2009.

14. The pro forma adjustment to the consolidated statement of cash flows of approximately HK$780,000 represented the reclassification of the cash inflow in relation to the issue of shares of PT. Dampar, as if the Acquisition was completed on 1 April 2009. The reclassification shall not have continuing effect on the consolidated financial statements of the Enlarged Group in subsequent years.

The following is the text of a property valuation report prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with their valuations as at 30th June, 2010 of the properties held by the Group.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit 01, 21/F, Emperor Group Center,
288 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2810 7337 Fax: 2810 6337

16th August, 2010

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

Dear Sirs,

Re: Valuation of two industrial complexes held by Asia Resources Holdings Limited in the People's Republic of China (the "PRC")

In accordance with the instructions from Asia Resources Holdings Limited (hereinafter referred to as the "Company") for us to carry out valuation of the captioned properties (detailed addresses of which are more particularly stated in the "Summary of Values" attached herewith, hereinafter referred to as the "Properties"), which are held by the Company and/or its subsidiaries (hereinafter collectively referred to as the "Group"), we confirm that we have carried out inspections, 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 each of the Properties as at 30th June, 2010 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for the incorporation in a public circular.

This letter, forming part of our valuation report, states the instructions, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property 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."

VALUATION METHODOLOGY

In valuing the Properties in the PRC, we have adopted a combination of Direct Comparison Method and Depreciated Replacement Cost Approach. Regarding the land portion, reference has been made to the sales transactions as available to us in the relevant market. As the nature of the buildings and structures cannot be valued on the basis of Market Value, we have valued those on the basis of their Depreciated Replacement Cost. The Depreciated Replacement Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from physical condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policies and rebuilding (in case of building structures) history. This approach is internationally recognized as the most reliable indication of the value of asset in the absence of a known market based on market transactional comparables.

VALUATION ASSUMPTIONS

Our valuation has also been made on the assumption that the properties interest are to be sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, or any similar arrangement that would serve to affect its value. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions, and outgoings of an onerous nature that could affect their values.

TITLE INVESTIGATION

We have been provided with extracts copies of title documents of the Properties and have relied on the advice given by the Group's legal adviser GFE Law Office (the "PRC Legal Adviser") regarding the titles of the Properties.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the Properties. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

We have not conducted any on-site measurements to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, site and floor plans, site and floor areas and other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties have been erected and are being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

In our valuations, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors ("HKIS").

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interest in the Group, the Properties and the values reported herein.

Our Summary of Values and Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
NORTON APPRAISALS LIMITED

Nick C. L. Kung *MRICS, MHKIS, RPS (G.P.)*
Director

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor who has more than 19 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

	Property	Market value in existing state as at 30th June, 2010 *RMB*
1.	The industrial complex of 四平巨能藥業有限公司 (Siping Juneng Medicine Industry Co., Ltd.) located at Quangou Village, Tiexi District, Siping City, Jilin Province, the PRC	74,940,000
2.	The industrial complex of 浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) located at Qibu Zone of Central Industrial Area, Yueqing City, Zhejiang Province, the PRC	29,150,000
	Total:	**104,090,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th June, 2010
1.	The industrial complex of 四平巨能藥業有限公司 (Siping Juneng Medicine Industry Co., Ltd.) located at Quangou Village, Tiexi District, Siping City, Jilin Province, the PRC	The property comprises an industrial complex built over a roughly rectangular-shaped site formed by two parcels of land with a total site area of approximately 58,071.77 sq.m. (625,085 sq.ft.). The subject industrial complex comprises 19 blocks of 1 to 5-storey building for workshop, warehouse, office, staff quarters and ancillary uses and ancillary structures. The subject buildings and structures were completed in the period between 1994 and 2004 with a total gross floor area of approximately 29,114.73 sq.m. (313,391 sq.ft.). The land use rights of the property have been granted for industrial use for terms to be expired on 25th July, 2050 and 2nd June, 2053 respectively.	The property is occupied by Siping Juneng Medicine Industry Co., Ltd. for medicine production and ancillary uses.	RMB74,940,000

Notes:

1) Pursuant to the Certificate for State-owned Land Use Rights 四國用(2003)字第13-00006號 (Si Guo Yong (2003) Zi Di 13-00006 Hao) dated 5th June, 2003 issued by Siping City Peoples' Government, the land use rights of a parcel of land designated as Lot No. 12-(3)-13 with a site area of 28,890.73 sq.m. were granted to 四平巨能藥業有限公司 (Siping Juneng Medicine Industry Co., Ltd.), which is a wholly-owned subsidiary of the Company, for industrial use for a term to be expired on 2nd June, 2053.

2) Pursuant to the Certificate for State-owned Land Use Rights 四國用(2009)第13-00012號 (Si Guo Yong (2009) Di 13-00012 Hao) dated 17th March, 2009 issued by Siping City Peoples' Government, the land use rights of another parcel of land designated as Lot No. 13-2-35 with a site area of 29,181.04 sq.m. were granted to Siping Juneng Medicine Industry Co., Ltd. for industrial use for a term to be expired on 25th July, 2050.

3) Pursuant to 12 sets of Building Ownership Certificate all dated 25th June, 1999 issued by Siping City Building Administration Bureau, the building ownership of 12 blocks of building with a total gross floor area of 8,353.44 sq.m. were vested in Siping Juneng Medicine Industry Co., Ltd.. Details of the said certificates are listed as follows:

Certificate No.	Block No.	No. of Storey	Gross Floor Area *(sq.m.)*	Design Usage
Si Ping Shi Fang Quan Zheng Si Zi Di 016559 Hao	06	1	972.00	Warehouse
Si Ping Shi Fang Quan Zheng Si Zi Di 016560 Hao	08	1	335.00	Boiler House
Si Ping Shi Fang Quan Zheng Si Zi Di 016561 Hao	02	2	96.00	Dormitory
Si Ping Shi Fang Quan Zheng Si Zi Di 016562 Hao	03	1	166.60	Transformer House
Si Ping Shi Fang Quan Zheng Si Zi Di 016563 Hao	05	1	972.00	Warehouse
Si Ping Shi Fang Quan Zheng Si Zi Di 016564 Hao	07	1	573.05	Workshop
Si Ping Shi Fang Quan Zheng Si Zi Di 016565 Hao	01	1	672.69	Animal House
Si Ping Shi Fang Quan Zheng Si Zi Di 016566 Hao	11	1	317.50	Garage
Si Ping Shi Fang Quan Zheng Si Zi Di 016567 Hao	04	1	94.50	Pump House
Si Ping Shi Fang Quan Zheng Si Zi Di 016568 Hao	09	1	2,869.00	Workshop
Si Ping Shi Fang Quan Zheng Si Zi Di 016569 Hao	12	1	35.10	Reception House
Si Ping Shi Fang Quan Zheng Si Zi Di 016570 Hao	10	1	1,250.00	Office

4) Pursuant to 5 sets of Building Ownership Certificate all dated 12th March, 2009 issued by Siping City Building Administration Bureau, the building ownership of 5 blocks of building with a total gross floor area of 16,012.29 sq.m. were vested in Siping Juneng Medicine Industry Co., Ltd. Details of the said certificates are listed as follows:

Certificate No.	Block No.	No. of Storey	Gross Floor Area *(sq.m.)*	Design Usage
Si Ping Shi Fang Quan Zheng Si Zi Di 132451 Hao	2/2/QGC	5	13,762.60	Industrial
Si Ping Shi Fang Quan Zheng Si Zi Di 132452 Hao	3/QGC	4	1,648.78	Office
Si Ping Shi Fang Quan Zheng Si Zi Di 132453 Hao	6/QGC	1	84.94	Guardhouse
Si Ping Shi Fang Quan Zheng Si Zi Di 132454 Hao	5/QGC	1	211.37	Industrial
Si Ping Shi Fang Quan Zheng Si Zi Di 132456 Hao	4/QGC	1	304.60	Industrial

5) We have prepared our valuation on the following assumptions:

a) The Group is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

b) All land grant premium and transfer consideration have been settled in full.

c) The design and construction of the buildings and structures in the property are in compliance with the local planning regulations and have been approved by relevant government authorities.

d) The property may be disposed of freely to local and overseas purchasers.

6) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company are as follows:

Certificate for State-owned Land Use Rights	Yes
Building Ownership Certificate (portion of)	Yes

7) The legal opinion of the PRC Legal Adviser dated 20th July, 2010 states that:

a) The land use rights of the property are legally owned by 四平巨能藥業有限公司 (Siping Juneng Medicine Industry Co., Ltd.). Upon verification by the Siping Land Resources Bureau and redemption of the existing mortgage from the existing mortgagee, 四平巨能藥業有限公司 (Siping Juneng Medicine Industry Co., Ltd.) is entitled to transfer, lease, mortgage or dispose of the land use rights of the property.

b) The land use rights of the property is subject to a mortgage in favour of Agricultural Bank of China Limited (Siping City Sub-Branch).

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th June, 2010
2.	The industrial complex of 浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) located at Qibu Zone of Central Industrial Area, Yueqing City, Zhejiang Province, the PRC	The property comprises an industrial complex built over a roughly rectangular-shaped site with a site area of approximately 19,406.23 sq.m. (208,889 sq.ft.). The subject industrial complex comprises 3 blocks of 1 to 6-storey building for workshop, warehouse and office. The subject buildings and structure were completed in the period between 2004 and 2008 with a total gross floor area of approximately 14,453.52 sq.m. (155,578 sq.ft.). The land use rights of the property have been granted for industrial use for a term to be expired on 20th November, 2051.	The property is occupied by Zhejiang Juneng Rosi Pharmaceutical Co., Ltd. for medicine production and ancillary uses.	RMB29,150,000

Notes:

1) Pursuant to the Certificate of State-owned Land Use Rights 樂政國用(2008)第39-895號 (Yue Zheng Guo Yong (2008) Di 39-895 Hao) dated 3rd February, 2008 issued by Yueqing City Peoples' Government, the land use rights of the subject parcel of land designated as Lot No. 039-017-00118-001 with a site area of 19,406.23 sq.m. were granted to 浙江巨能樂斯藥業有限公司(Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.), which is a wholly-owned subsidiary of the Company, for industrial use for a term to be expired on 20th November, 2051.

2) Pursuant to the Building Ownership Certificate 樂房權證樂成鎮字第44185號 (Yue Fang Quan Zheng Yue Cheng Zhen Zi Di 44185 Hao) dated 2nd February, 2008 issued by Yueqing City Building Administration Bureau, the building ownership of 2 blocks of building with a total gross floor area of 7,984.42 sq.m. were vested in 浙江巨能樂斯藥業有限公司(Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.).

3) Pursuant to the Contract for Construction Works dated 25th September, 2008 entered into between Zhejiang Juneng Rosi Pharmaceutical Co., Ltd. ("Party A") and 浙江東遠建築工程有限公司 (Zhe Jiang Dong Yuan Construction Engineering Company Limited) ("Party B"), the construction works for the 6-storey workshop building in the property with a gross floor area of 6,469.10 sq.m. was agreed to be undertaken by Party B. As of the Date of Valuation, the construction works have been completed.

4) We have prepared our valuation on the following assumptions:

   a) The Group is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

   b) All land grant premium and transfer consideration have been settled in full.

   c) The design and construction of the buildings and structures in the property are in compliance with the local planning regulations and have been approved by relevant government authorities.

   d) The property may be disposed of freely to local and overseas purchasers.

5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company are as follows:

Certificate for State-owned Land Use Rights	Yes
Building Ownership Certificate (portion of)	Yes

6) The legal opinion of the PRC Legal Adviser dated 20th July, 2010 states that:

The land use rights of the property are legally owned by 浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) which is entitled to transfer, lease, mortgage or dispose of the land use rights of the property.

(A) BUSINESS VALUATION

The following is the text of a business valuation report prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the business valuation of the Target Company as at 30 June, 2010.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit 01, 21/F, Emperor Group Center,
288 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

16 August, 2010

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

Dear Sirs,

Re: Valuation of the 100% equity interest of PT. Dampar Golden International

In accordance with your instructions for us to carry out an appraisal for the market value of the 100% equity interest of PT. Dampar Golden International (hereinafter referred to as the "Business Enterprise" or the "Target Company"), an incorporation established under the law of the Republic of Indonesia (hereinafter referred to as "Indonesia"). It is our understanding that the Business Enterprise has entered into a services agreement (hereinafter referred to as the "Services Agreement") to carry out general business consulting activity for PT. Indo Modern Mining Sejahtera (hereinafter referred to as the "Indo") in relation to the operation of mining activities in the mining area located in Lumajang, East Java, Indonesia with an aggregating site area of at least 1,195 hectares (hereinafter referred to as the "Iron-Sand Deposit"). We confirm that we have conducted site visit, 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 for the Business Enterprise as at 30 June, 2010 (hereinafter referred to as the "Date of Appraisal").

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

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Asia Resources Holdings Limited (hereinafter referred to as the "Company") for its inclusion in the circular to its shareholder in relation to the proposed acquisition of the Business Enterprise. In addition, Norton Appraisals Limited (hereinafter referred to as the "Norton Appraisals") acknowledges that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators.

Norton Appraisals 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.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information, in particular "Dampar Iron Sand Property, Indonesia" dated March 2010 prepared by Wardrop Engineering Inc. (hereinafter referred to as the "Technical Report") – an independent qualified mineral technical adviser specialized in providing resources evaluation to the industry, and 印尼南海漳 Lumajang、任抹 Jember 鐵砂礦採選建設項目初步評估報告 (preliminary economic assessment) dated 18 December, 2009 prepared by 長沙礦山研究院 (Changsha (China) Institute of Mining Research) (hereinafter referred to as the "Assessment Report") and the business plan (hereinafter referred to as the "Business Plan") provided by the management of the Company and its representatives (hereinafter together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospects of the iron ore mining and processing industries in Indonesia and the People's Republic of China (hereinafter referred to as the "PRC" or the "China"), and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have conducted physical inspection in respect of the Iron-Sand Deposit and have reviewed such Technical Report, Assessment Report, Business Plan, financial information and other pertinent data concerning the Business Enterprise and the Iron-Sand Deposit provided to us by the Management and have considered such information and data 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 operation of the Business Enterprise 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 appraisal for the market value of the Business Enterprise, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 BUSINESS ENTERPRISE

PT. Dampar Golden International (the "Business Enterprise") was established in Indonesia with a certificate of incorporation numbered AHU-6212.AH.01.01. Tahun 2009, issued by the Minister of Justice and Human Rights of the Republic of Indonesia on 21 December, 2009. Its principal office is located at d/a JI. Abdul Rahman Saleh No. 08, Lumajang, East Java, Indonesia. The current scope of business is confined to trading and exporting of, among other things, iron concrete but shall be amended to carry out general business consulting activity in relation to the operation of mining activities in the Iron-Sand Deposit pursuant to the terms and conditions under the Services Agreement.

Upon completion of the proposed acquisition, 55% of the entire issued share capital of the Business Enterprise will be owned by a wholly-owned subsidiary of the Company, Mighty Kingdom Investments Limited. The shareholding structures immediately after the proposed acquisition of the Business Enterprise is tabulated as follows.

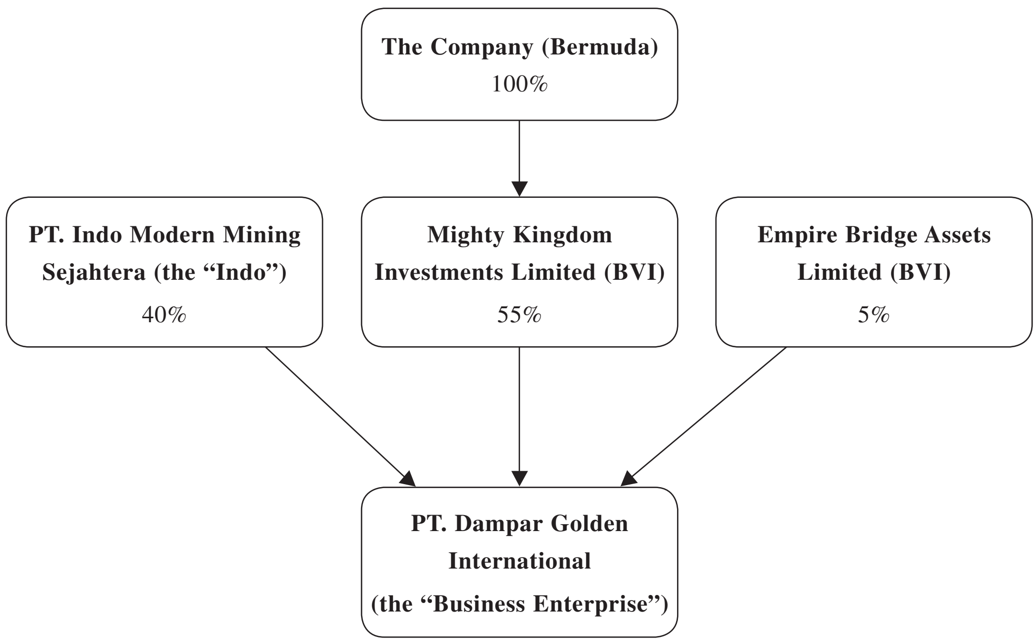


Figure 1: Shareholding structures of the Business Enterprise immediately after the proposed acquisition
Source: Management

3.1 Relevant Legal Document

(i) Services Agreement

Iron-Sand Deposit, being a portion of the entire mining site with a covering area of approximately 8,495.6 hectares located in Lumajang, East Java, Indonesia (hereinafter referred to as the "Entire Mining Area"). The Entire Mining Area is currently held by Indo. It is our understanding that Indo is principally engaging in mining business in Indonesia as well as trading of unprocessed iron ores in small quantity.

Under the terms and conditions of the Services Agreement signed between the Business Enterprise and Indo on 26 March, 2010, Indo has irrevocably appointed the Business Enterprise as an exclusive services provider to carry out general business consulting activity in relation to the operation of mining activities in the Iron-Sand Deposit on behalf of Indo. The Business Enterprise will not be engaged in mining activities but to search or find, perform any tender or bid (if necessary) and appoint parties and other mining services companies to undertake all the necessary mining related services, including but not limited to exploration, development, exploitation, production, sale and transportation of the mining products of the Iron-Sand Deposit that are considered necessary or desirable for the successful implementation of all mining activities within the Iron-Sand Deposit. Indo agrees to appoint the Business Enterprise to exclusively provide the above mentioned services in the Iron-Sand Deposit. All the net profits derived from the Iron-Sand Deposit shall be the remuneration for the provision of services rendered by the Business Enterprise. The said profits will be the future revenue source of the Business Enterprise.

The Services Agreement shall continue during the term of the IUP Exploration (a mining business license for exploration issued by local official to conduct exploration and feasibility study in the Iron-Sand Deposit, hereinafter referred to as the "IUP Exploration") and the IUP Production and Operation (a mining business license for production and operation issued by local official to conduct construction, mining, processing and refining activities in the Iron-Sand Deposit, transporting and selling as well as post mining activities, hereinafter referred to as the "IUP Production and Operation"), including their respective extensions (whichever the latest) and both licenses are entitled to Indo. Indo is committed to maintain the IUP Production and Operation for its initial term of at least 20 years.

(ii) IUP Transportation and Trading

The Business Enterprise is required to obtain the IUP Transportation and Trading (hereinafter referred to as the "IUP Transportation and Trading") issued by the competent authority(ies) in Indonesia if the scope of services covers the sale and exporting of mining commodities on behalf of Indo. Such license is used to conduct business activities such as trading, transportation and export of mining products of the Iron-Sand Deposit. As at the Date of Appraisal, the implementing regulations which set out the procedure and requirements for an IUP Transportation & Trading have not yet been issued. It is expected that certain administrative, technical and financial requirements have to be met in order to obtain the IUP Transportation and Trading. The Business Enterprise will try its best endeavours to satisfy all those requirements.

4.0 Iron-Sand Deposit

4.1 Location and Climate

The Iron-Sand Deposit is located in Lumajang, East Java, Indonesia with an aggregating area of approximately 1,195 hectares. Lumajang is one of the regencies that located on the south coast of East Java Province. It is about 190 km from Surabaga, the capital city of East Java. The climate is tropical and the temperature ranges between 20ºC and 30ºC throughout the year. Rainy season is from October to April, and the remaining months of the year are dry. The Iron-Sand Deposit is well defined by 6 corner coordinates as shown in *Table 1*.

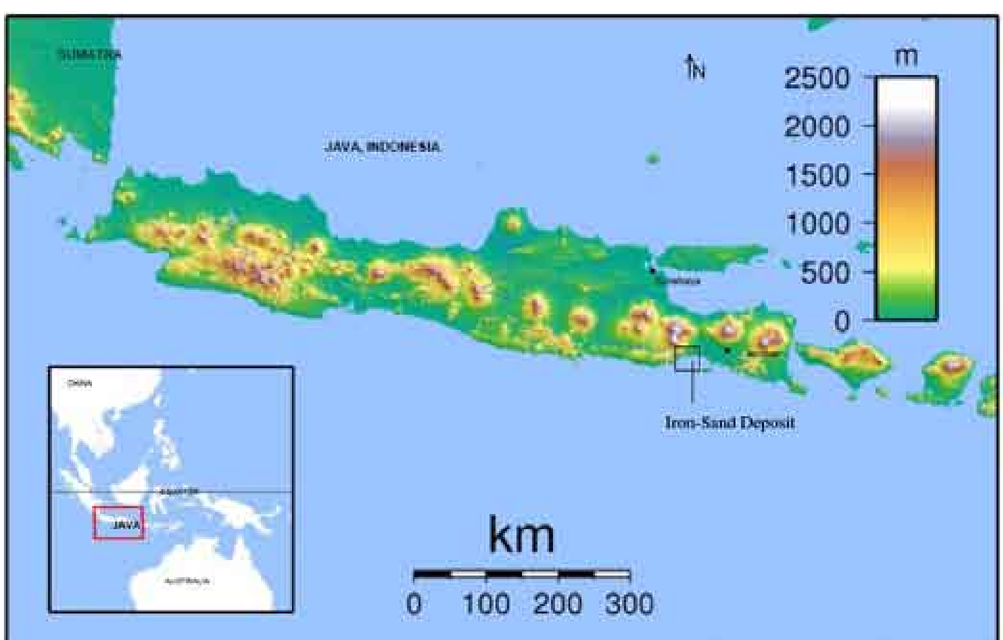


Figure 2: Location of the Iron-Sand Deposit
Source: Technical Report

No.	Longitude	Latitude
1	113° 04’ 00”	08° 16’ 00”
2	113° 05’ 30”	08° 16’ 00”
3	113° 05’ 30”	08° 17’ 39”
4	113° 04’ 16”	08° 17’ 39”
5	113° 04’ 16”	08° 18’ 00”
6	113° 04’ 00”	08° 18’ 00”

Table 1: Corner coordinates of the Iron-Sand Deposit
Source: Technical Report

4.2 Economy and Infrastructure

The Iron-Sand Deposit is situated on the southern shore of East Java Province. The nearest community of significant size is Jember, which is the third largest city in Java with a regional population of about 3 million, located about 70 kilometers to the northeast of the Iron-Sand Deposit.

A well-developed road network connects the Iron-Sand Deposit with the rest of Java. There is also a rail line which extends to within about 10 kilometers of the Iron-Sand Deposit. The Iron-Sand Deposit is also accessible by sea.

4.3 Geology

The morphology at the Iron-Sand Deposit is typical of coastal area deposits which are flat, gently sloping and with some sand dunes. The southern third of the Iron-Sand Deposit lies below the sea level. Elevations within the central third of the Iron-Sand Deposit range from sea level to about 10 meters above sea level. The northern third of the Iron-Sand Deposit rises from a few meters above sea level to about 50 meters above sea level.

The active beach and band of sand and dunes to the north of the present shoreline are either bare or covered by sparse grasses and vines. The boundaries of several lagoons with the Iron-Sand Deposit are bordered by palm trees, rice paddies and cocoa plantation.

4.4 IUP Exploration

Indo has been granted with IUP Exploration in relation to the Entire Mining Area (hereinafter referred to as the "IUP Exploration") dated 25 August, 2009. The IUP Exploration is the mining business license for exploration issued by Regent Lumajang which entitles the holder to conduct general survey, exploration and feasibility study in the Entire Mining Area. The salient conditions are summarized as follows:

IUP Exploration

License number	:	503/904/427.14/2009
Holder of the IUP Exploration	:	Indo
Issue date	:	25 August, 2009
Expiry date	:	30 June, 2011
Commodity	:	Iron sand
Area	:	8,495.6 hectares

4.5 IUP Production and Operation

Indo has completed the environment and social impact assessment on 10 March, 2010 and has obtained the Production Operation Mining Business License (hereinafter referred to as the "IUP Production and Operation") on 20 July, 2010. The IUP Production and Operation is granted by Regent of Lumajang which reserves the right of the holder to perform construction, production and transportation and sales, manufacture and refinement activities for a period of 10 years at the Iron-Sand Deposit. The salient conditions are summarized as follows:

IUP Production and Operation

License number	:	503/436/427.14/2010
Holder of the IUP Production and Operation	:	Indo
Issue date	:	20 July, 2010
Expiry date	:	20 July, 2020
Commodity	:	Iron sand
Area	:	1,195 hectares

4.6 Characteristics of the Iron-Sand Deposit

The Iron-Sand Deposit is found along the beach as surface deposit and the area under sea of 4 mile from the beach line along the coast, its central portion of the Iron-Sand Deposit is exposed on surface from the current shoreline inland for an average distance of about 500 meters. The distance between the western and eastern boundaries is about 2,500 meters. The thickness of the Iron-Sand Deposit is expected to be 3 meters which has been tested by auger holes. According to the Technical report, the presence of iron in the Iron-Sand Deposit is confirmed.

4.7 Exploration

During the period 6 to 14 December, 2009, Indo had carried out a sampling program and a resistivity survey on the Iron-Sand Deposit by contract. 30 auger holes and two test pits were drilled under current exploration. The 30 holes were of 2.5 inch (6.25 centimeter) diameter and ranged in depth from 1 to 4.5 meters. All were collected along two lines paralled to the shoreline.

4.8 Resources Estimation

Based on the Technical Report, the total estimated volume of resources at the Iron-Sand Deposit is between a lower range of approximately 6,250,000 m^3 and an upper range of 25,000,000 m^3, which is equivalent to 18.75 million tons and 75 million tons respectively. The total iron content ("TFe") is between 5.5% and 35%. In the course of our valuation, we take average grading of TFe 20.25% and average total resources amount of 46.88 million tons, which is the simple average of the lower range and the upper range figures.

5.0 IRON ORE MINING AND PROCESSING

The Iron-Sand Deposit contains resources of iron ore which can be economically extracted. Iron ore is a compound of iron and oxygen (iron oxide) mixed with impurities. It is a mineral that, when heated in the presence of a reductant, will yield metallic iron. The ore is usually rich in iron oxides and vary in colors from dark grey, bright yellow, deep purple, to rusty red. The iron itself is usually found in the form of magnetite (Fe_3O_4), hematite (Fe_2O_3), goethite (FeO(OH)), limonite (FeO(OH).n (H_2O)) or siderite ($FeCO_3$).

Iron ore is graded as fines or lumps depending on whether the majority of individual particles have a diameter of less or more than six millimeters. Iron concentrates are the valuable fines that are separated commercially from crude iron ore in the form of rock with gangue by crushing, grinding, and beneficiation and can be agglomerated before being used in an iron making blast furnace or direct reduction.

5.1 Nature and Characteristics

Iron is a metallic chemical element with the symbol Fe. Fresh iron surfaces are lustrous and silvery-grey in color, but oxidize in air to form a red or brown coating of ferric oxide or dust. Pure iron is rarely found in form of metal on the surface of the earth because of oxidization. Addition of minute amounts of impurities, such as carbon, significantly strengthens them.

5.2 Usage

Alloying iron with appropriate small amounts (up to a few per cent) of other metals and carbon produces steel, can be 1,000 times harder than pure iron. Steel is widely used in many types of construction, including very tall buildings and bridges with very wide spans.

Metallic iron also has other applications. Its natural magnetic properties makes it suitable for both permanent magnets and electromagnets. It is also used in the production of various types of dyes, including blueprint paper and a variety of inks, and in the manufacture of abrasives.

5.3 Processing of Iron

Generally, iron is produced starting from iron ores, principally hematite (nominally Fe_2O_3) and magnetite (Fe_3O_4). Basically, there are three methods to produce iron from iron ore:

– blast furnaces
– direct reduction processes (e.g. DRI, HBI); or
– direct smelting processes (e.g. HISmelt, FINEX)

The latter two methods are often grouped together and referred to as "alternative iron making" processes, as they are relatively underdeveloped.

6.0 IRON-SAND DEPOSIT DEVELOPMENT PROGRAM

As advised by the Management, the Business Enterprise will procure various local reputable companies to provide all the necessary mining related services in the Iron-Sand Deposit. By the Date of Appraisal, the Iron-Sand Deposit is pending for development without production activity. Details of the Business Plan are summarized as below.

6.1 Exploitation

The Iron-Sand Deposit lays on the beach along the coast which is suitable for open mine excavation using machines such as drillers, dump trucks, dredging boats or fossicking boats with pipeline under the sea. The primary mining method is dredging. The dredging vessels are used to exploit the sand under the sea. After the extraction of the raw iron sand, they will be transported to processing plant via conveyor belt for screening and refining purposes.

6.2 Processing

As the total iron content ("TFe") of raw iron sand is of grading between 5.5% to 35%, further processing is required to increase the iron content before marketing for sale. Processing works involve purifying, sorting, separating and cleaning to eventually produce iron sand placer and iron concentrate. To increase the TFe content, the raw iron sand has to be cleaned and purified. Magnetic separators are used to separate the impurities from the raw iron sand.

6.3 Screening

A designated screening plant is set up with equipments and machineries such as conveyor belts, screening rollers, and magnet separators. The grading of the raw iron sand will be further enhanced to 55% to 57% after the screening process. As advised by the Management, the whole screening system is able to process 1,440 tons per day of raw iron sand into 850 tons per day of iron sand placer with grading between 55% to 57%. Total 12 systems will be installed and thus the iron ore sand output is up to 10,200 tons per day. The set up cost of each screening plant is around USD50,000.

6.4 Refining

There is always a great demand of iron concentrate 62% in the market and it is usually selling at a higher price. It is of the Management's interests to refine the iron sand placer into iron concentrate. 2 refining plants with a total cost of USD2 million will be established. They will be equipped with shaft impact crushers and vertical magnetic separators. The daily production capacity of each refining plant is 3,000 tons of iron concentrate. During the refining process, approximately 1,333 tons iron sand placer is needed for conversion of 1,000 tons of iron concentrate.

6.5 Products

As advised by the Management, the excavated raw iron sand will be used to produce iron sand placer and iron concentrate. The grading of iron sand placer is around 55% to 57% whilst the grading of the iron concentrate is at least 62%. The iron concentrate is the major product in volume because of its high profit margin. These products are intended to target the PRC market.

6.6 Human Resources

In relation to the human resources management, management and operation staffs have been appointed. Amongst the new staffs, two are site managers who will be responsible for the overall strategic planning, implementation and monitoring of the project; and another two are engineers who will supervise the day to day mining activities of the local service providers including utilization of mining equipment, optimization of mining recoveries and quality as well as site safety, productivity and cost control. In addition, a general manager with extensive relevant experiences in the mining industry will be appointed to provide valuable advices for the operation and management of the Iron-Sand Deposit.

6.7 Production Plan

As advised by the Management, it takes approximately two years to complete all the necessary set-up. The production involves two stages. In the first stage, 6 screening plants and 1 refining plant will be established with daily production capacity of iron sand placer and iron concentrate of 5,100 tons (850 x 6) and 3,000 tons respectively. Once the expansion is completed in the second stage, there will be in total 12 screening plants and 2 refining plants. The Iron-Sand Deposit is able to manage the iron sand placer and iron concentrate up to 10,200 tons (850 x 12) and 6,000 tons per day (3,000 x 2) respectively. Upon completion, the optimal annual output of iron sand placer and iron concentrate will be maintained at a level of 660,600 tons and 1,800,000 tons respectively. The services life cycle of this project is approximately 5 years. The table below presents the production schedule of the Iron-Sand Deposit.

Output	**Yr 2010 (Nov-Dec)**	**Yr 2011**	**Yr 2012**	**Yr 2013**	**Yr 2014**
Iron sand placer (1,000 tons)	128	558	761	661	0
Iron concentrate (1,000 tons)	0	825	1,725	1,800	899

Table 2: Production schedule of the Iron-Sand Deposit
Source: Management
* *Figures above are subject to rounding.*

6.8 CAPEX Requirement

The total estimated capital expenditure is USD2.6 million. In the first stage, approximately USD1.3 million will be spent on building six screening plants and one refining plant. Another six screening plants and a more sophisticated refining plant will cost approximately USD1.3 million will be set up next year and will be ready for full production in late 2011.

6.9 Short-term Contracts

According to the Management, the Business Enterprise entered into two sales and purchase contracts with third party on 24 November, 2009 for the sale of excavated, unrefined and unprocessed low grade iron ore sand. The first contract is on trial order basis with contract price USD20 per ton. Such contract did not specify the quantity to be sold and its purpose is to test the acceptance of the product in the PRC and to practice the logistical arrangements (in the form of scooping up the iron sand, transporting to loading port and delivering to China) of the business operation. Another contract is of 2 years term with selling price revised to USD40 per ton. In the course of our valuation, we have considered the effect of the 2-year term contract.

7.0 IRON INDUSTRY OVERVIEW

7.1 Global Iron Ore Industry

7.1.1 Iron ore reserve

Global crude iron ore reserve is currently estimated to be at 160 billion tons, according to the United States Geological Survey ("USGS"). World resources are estimated to exceed 800 billion tons of crude ore containing more than 230 billion tons of iron. The top five countries (Ukraine, Russia, China, Australia and Brazil) collectively account for more than 70% of the world's reserve, although there are iron ore deposits distributed over the entire planet.

	Crude ore *(million tons)*
Ukraine	30,000
Russia	25,000
China	22,000
Australia	20,000
Brazil	16,000
Kazakhstan	8,300
India	7,000
United States	6,900
Venezuela	4,000
Sweden	3,500
Iran	2,500
Canada	1,700
South Africa	1,000
Mauritania	700
Mexico	700
Other countries	10,700
Total (rounded)	**160,000**

Table 3: World iron ore reserve
Source: USGS

7.1.2 Iron ore production

Global iron ore production increased from 932 million tons to 2,220 million tons in the period from 2001 to 2008, representing a compound annual growth rate ("CAGR") of 13%. The global iron ore production is estimated to be 2,300 million tons in 2009, according to preliminary estimation by USGS. This amount represents a 3.6% increase from 2008. China is the leading producer, followed by Brazil and Australia. The output from China exceeds the sum of output from Brazil and Australia. These three major producing countries altogether accounted for over two-thirds of the world's iron ore output in 2008.

	Yr 2008 *(million tons)*
China	824
Brazil	355
Australia	342
India	220
Russia	100
Ukraine	73
United States	54
South Africa	49
Iran	32
Canada	31
Sweden	24
Kazakhstan	23
Venezuela	21
Mexico	12
Mauritania	11
Other countries	49
Total (rounded)	**2,220**

Table 4: World's iron production in 2008
Source: USGS

7.1.3 Iron ore trade and competition

Since most of the world's accessible iron ore deposits are not located in the same countries as most steel production facilities are found, approximately 912 million tons of iron ore were internationally traded in 2008. Australia and Brazil accounted for 33.7% and 28.6% of world iron ore exports, respectively, and together they were the source of over 60% of world shipments; while China, Japan and Europe accounted for 48.5%, 15.3% and 18.1% of world iron ore imports in 2008, respectively according to Iron and Steel Statistics Bureau ("ISSB").

7.2 China Iron Ore Industry

7.2.1 Iron ore reserve

According to the data provided by USGS, China's crude iron ore reserve base was 22 billion tons, which is equivalent to iron content of 7.2 billion tons.

7.2.2 Iron ore production

China is the world's leading producer of iron ore on a gross weight basis. Iron ore output reached 824 million tons in 2008, achieving a year-on-year rise of 20.7%. The USGS predicts the iron ore product of China will sightly jump to 900 million tons in 2009, representing an annual growth rate of 9.2%.

The table below illustrates the annual output of iron ore in China from 2001 to 2008. The output was up more than double in this period. However, the iron content of China's resource is generally lower than that of the world's average. After the adjustment of iron content for reasonable comparison, China's iron ore output was only about 387 million tons of iron concentrate in 2008 as indicated in *Figure 3*.

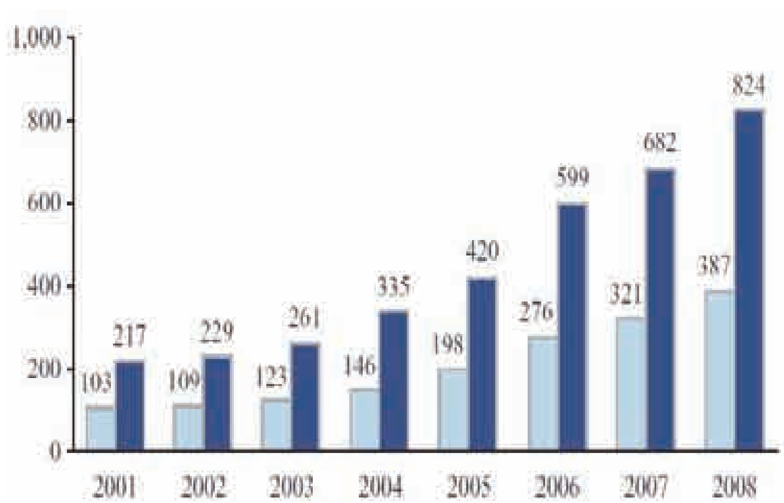


Figure 3: Annual output of iron ore and iron concentrate in China (million tons)
Source: National Bureau of Statistic of China and Metallurgical Mines' Association of China

7.2.3 Iron ore supply and demand

	Years Ended				
	2001	**2002**	**2003**	**2004**	**2005**
	(million tons)	*(million tons)*	*(million tons)*	*(million tons)*	*(million tons)*
Iron output	147.18	170.97	214.10	257.17	330.72
Iron concentrate 62.5% demand	235.49	273.55	342.56	411.47	529.15
Iron concentrate 62.5% output	102.60	108.76	122.71	145.75	200.33
Supply shortfall	(132.89)	(164.79)	(219.85)	(265.72)	(328.82)
Iron concentrate 62.5% import	92.30	111.49	148.13	208.09	326.30

	Years Ended			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	(million tons)	*(million tons)*	*(million tons)*	*(million tons)*
Iron output	413.85	471.42	470.67	258.80
Iron concentrate 62.5% demand	662.16	754.27	753.07	414.08
Iron concentrate 62.5% output	276.44	320.77	387.29	178.56
Supply shortfall	(385.72)	(433.50)	(365.78)	(235.52)
Iron concentrate 62.5% import	326.30	384.76	443.66	297.22

Table 5: Iron concentrate 62.5% supply and demand in China
Source: National Bureau of Statistic of China and USGS

Obviously, China has been short of supply to satisfy the local needs of iron concentrate. The country has to rely heavily on the import. The top 5 import countries are Australia, Brazil, India, South Africa and Ukraine. Starting from 2002, the import exceeded the output and ultimately reached 444 million tons in 2008, which is equivalent to a monetary value of USD60.5 billion.

7.2.4 Iron ore trade and competition

China continues to be the main destination for global iron ore shipments, with 444 million tons entering China ports in 2008, representing an increase of 15.3% over 2007. China's share of the global iron ore trade reached 51% in 2008, represented a significant increase from 2001 when it accounted for only 20.5%. Australia, Brazil and India are three main sources of iron ore imports in China. The imported ores are mainly consumed by local iron and steel producers.

China has over 8,000 iron mines, most of which are small in scale. According to Metallurgical Mines' Association of China, the output from small and medium sized mines in 2008 was 634 million tons, accounting for approximately 77% of total iron ore output in China. The other 23% was produced by large mines, most of which belonged to state-owned steel companies.

7.3 Indonesia Iron Ore Industry

Indonesia is one of the richest mineral resources countries in Southeast Asia. According to USGS, the country was one of the top 10 producers of tin, gold, copper and nickel in the world. The value of mineral production accounted for 9.1% for the country's GDP. The exports of coal and natural gas contributed 20% of the government's revenue. However, iron ore is not the primary resources output of the country. Indonesia's iron ore is mainly selling in form of dry sand basis due to its unique geology. Apparently, the country's iron ore output scale was small and had experienced a sharp decrease in 2004.

Commodity	**Yr 2003**	**Yr 2004**	**Yr 2005**	**Yr 2006**	**Yr 2007**
Iron sand, dry basis (tons)	245,409	89,664	32,203	87,970	61,077

Table 6: Annual output of iron sand in Indonesia
Source: USGS

7.4 Iron Ore Price

Meanwhile, global iron ore spot prices continued to surge. There are two reasons driving the price upward. First, iron ore mines are monopolized by the top three miners – Vale, Rio Tinto and BHP, together which control 68.5% of the global iron ore market, far surpassing the global top 10 steelmakers' combined steel market share of 27.8% in 2009. The monopoly power is giving the miners the advantages in iron ore price negotiations. Second, China is the major producer as well as consumer in global iron ore market. Currently, China's iron ore imports as a proportion of its total demand increased from 45% in 2007 to 60% in 2009. Low-grade Chinese iron ore means that it takes 2.2 tons of local iron ore to replace 1 ton of iron ore imported from Australia. China's iron ore imports are expected to increase 6% year on year in 2010 with their market share topping 60% in line with China's growing crude steel production. As a planned economy, the iron ore price is greatly influenced by the government policy. In April 2010, China Iron & Steel Association (CISA) has asked Chinese steelmakers and importers to suspend imports from three major miners (Rio Tinto, BHP and Vale) for two months in a bid to lower raw material contract prices. At present, China's small and midsize steelmakers are buying most of their iron ore from the spot market. If iron ore supply in China declines as a result, spot prices will likely go up further.

In June 2005, the prices for iron ore fines 63.5% and pellets 65%-66% in China hit a low of USD60 per ton and USD93 per ton, respectively, due to excess supply. Prices remained low until the second quarter of 2007 when they began to increase due to rising demand from the infrastructure and real estate industries. Prices then bounced back to USD194 per ton and USD225 per ton for fines and pellets in the first quarter of 2008, respectively. These prices represent a growth rate of 223% and 142% since the lows in 2005 for fines and pellets, respectively. With the slowdown in the macro economy, shrinking demand caused a sharp drop in prices in the third quarter of 2008. In October 2008, the prices for iron ore fines 63.5% and pellets 65%-66% substantially dropped to USD63.5 per ton and USD100 per ton. Since then the prices have begun to stabilize with fines and pellets prices reaching USD157.5 per ton and USD158.5 per ton in March 2010.

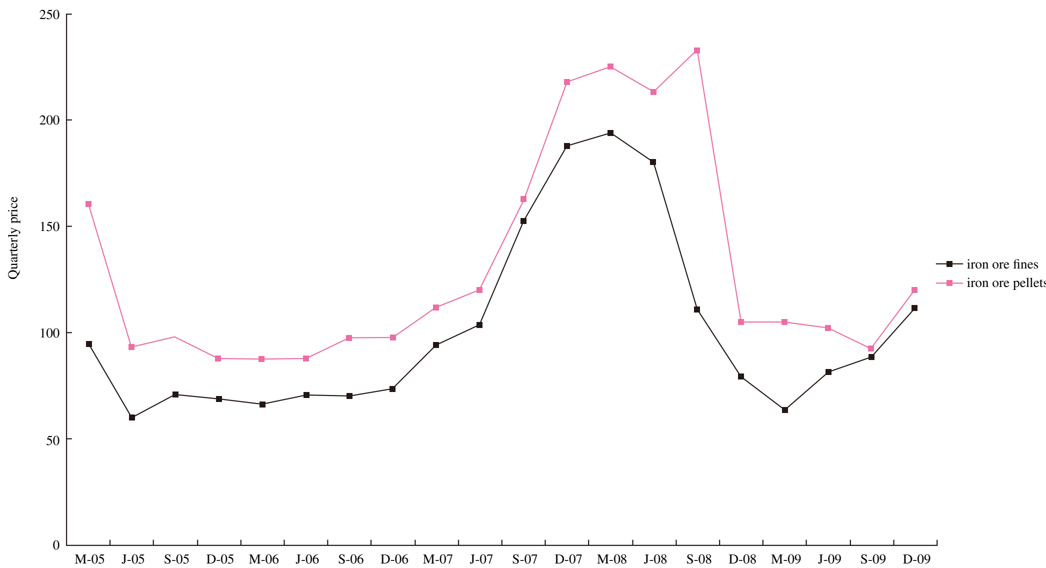


Figure 4: ***Quarterly price of iron ore fines and pellets CFR main China port prices (63.5% Fe for fines and 65%-66% Fe for pellets)***

Source: Metal Bulletin, Bloomberg

8.0 MAJOR RISK FACTORS

There are certain risks involved in the operations and many of these risks are beyond our control. These risks can be characterized as (i) risks relating to iron ore mining and processing industries and the Business Enterprise; (ii) risks relating to Indonesia and the PRC.

(i) Risks relating to iron ore mining and processing industries and the Business Enterprise

- The iron ore resources data may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on the estimates, may differ materially from actual figures.

- The continuing success depends on the ability to continue developing the Iron-Sand Deposit.

- The business and results of operations are susceptible to the cyclical nature of iron trading markets and are vulnerable to fluctuations in iron prices.

- The business may require significant and continuous capital investment.

- It may not have sufficient insurance coverage against potential operational risks.

- The operations of the Business Enterprise require certain permits and licenses, the loss of which could materially impact the business and results of operations.

(ii) Risks relating to Indonesia and the PRC

- Adverse changes in the Indonesia's and the PRC's economic, political and social conditions as well as governmental policies could have a material adverse effect on Indonesia's and the PRC's overall economic growth, which could in turn adversely affect the financial condition and results of operations.

- The business operations are extensively impacted by the policies and regulations of the Indonesian and the PRC Government.

- Significant changes over the Indonesia's and the PRC's exchange rate fluctuations and currency risk exposure may adversely impact the results of operations.

- Concerns over Indonesia's and the PRC's high inflation and measures taken by the Indonesian and PRC Government may lead to an increase in interest rate and a slowdown in economic growth.

9.0 DEFINITION OF APPRAISAL

Market Value is defined as the estimated amount for which the business 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 (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

10.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management in relation to the development and prospects of the iron ore mining and processing industries in Indonesia and the PRC, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the iron ore mining industry from external public sources as we consider necessary for the purpose of this appraisal. As part of our analysis, we have reviewed the Services Agreement, Technical Report, Assessment Report, Business Plan, financial information and other pertinent data concerning the Business Enterprise and the Iron-Sand Deposit provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in the Business Enterprise 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 appraisal including but not limited to the following:

- The nature and the terms of the relevant permit(s) and license(s) such as the IUP Exploration, IUP Production and Operation and IUP Transportation and Trading;

- Terms, conditions, covenants and warranties of the Services Agreement;
- Technical review of the mining operations and resources estimation by the technical experts;
- Projections made by the Management for the Business Enterprise;
- The economic and industry data affecting the mine and the mineral extraction industry in Indonesia and the iron ore market in the PRC; and
- The market-derived investment return(s) of similar business.

11.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the market value of the Business Enterprise, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

11.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests 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. By adopting this approach, we will first look for valuation indication from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

11.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represent the value of a business entity and equal to the value of its invested capital (equity and long term debt). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equal the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

11.3 Income-Based Approach

The Income-Based Approach 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 life of the business entity.

Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

12.0 APPRAISAL APPROACH FOR THE BUSINESS ENTERPRISE

In the process of valuing a business subject, we have taken into consideration the business nature, specialty of its operation and the industries it is participating. Having considered the three general valuation methodologies, we believed that the Income-Based Approach would be appropriate and reasonable in the appraisal for the market value of the Business Enterprise.

In this valuation, the Market-Based Approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for our opinion of value. The Cost-Based Approach is not appropriate as it ignores the economic benefits of the business. We have therefore relied solely on the Income-Based Approach in determining opinion of value.

12.1 Discount Rate

It is simple method adopting Income-Based Approach to state the value of a business in present value term. This method is simple and easy to understand. It is well accepted by most analysts and practitioners. A variety of basis has emerged in numerous attempts of establishing true value of a business. The latest attempt was looking from firm's investors perspective including stockholders and bondholders. That is the free cash flow available to the business as a whole.

This is a widely used and accepted method to determine market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the weighted average cost of capital (WACC) of the company as a basic discount rate. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below :

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T)$$

in which

R*e*	=	cost of equity
R*d*	=	cost of debt
W*e*	=	portion of equity value to enterprise value
W*d*	=	portion of debt value to enterprise value
T	=	corporate tax rate

i) Cost of equity

From modern portfolio management perspective, typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium and size premium are added to reflect the other risk factors concerning the Business Enterprise. All the estimates are supported by public sources like Bloomberg and Morning Star. The capital asset pricing model (CAPM) is used to determine the appropriate cost of equity of the Business Enterprise.

Cost of equity = risk free rate + equity beta x market risk premium + size premium + country risk premium

Cost of equity calculation:

(1) Risk free rate	2.93%
(2) Equity beta	1.17
(3) Market risk premium	8.46%
(4) Size premium	3.99%
(5) Country risk premium	4.50%
Cost of equity	**21.32%**

* *Figures above are subject to rounding process*

Notes:

(1) This is the yield of 10-year US treasury government bond.

(2) This is the adjusted beta by making reference from the public listed companies with comparable business nature and operation etc., which are sourced from Bloomberg.

(3) Market risk premium = market rate of return – risk free rate.

(4) This is the risk of small size company in 2010 based on the research conducted by Ibbotson Associates, Inc.

(5) This is the increased risk associated with investing in a developing country, including business risk, financial risk, liquidity risk, exchange rate risk & country risk.

Given the above variables, we have arrived the cost of equity at 21.32%.

ii) Cost of debt

The cost of debt was made reference to the China Above 5 Years Best Lending Rates. As at the Date of Appraisal, the China Above Five Years Best Lending Rates is 5.94%.

iii) Weight of debt

The current debt level of the Business Enterprise is not desirable given its stage of development. To stay competitive in the industry, it is reasonable to assume that the Business Enterprise should achieve a debt level toward the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 8%.

iv) Weight of equity

The weight of equity is estimated as 92% by adopting the same basis as above.

Having considered that the Business Enterprise is at the preliminary stage of development, a 2% risk premium is added to reflect the pre-operational risk of the project.

The discount rate considered appropriate for this valuation as at the Date of Appraisal, taking into account of the above, is 17.24%, which is then applied to the after tax cash flow.

12.2 Marketability Discount

In addition, we have adopted a lack of marketability discount of 30% for the Business Enterprise as ownership interest in closely held companies are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Marketability discount for ownership interest in private companies can range from 3% to 35% according to empirical research. 30% discount is a professional judgment for this valuation based on our experience and the valuation subject.

12.3 Adjustments for debts and cash and cash equivalents

In computing the market value of the Business Enterprise, we have deducted from the assessed enterprise value the interest bearing debts and added back the cash and cash equivalents as at the Date of Appraisal. As confirmed by the Management, the interest bearing debts and cash and cash equivalents are nominal in nature thus no adjustment has been made in our valuation.

13.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report, Assessment Report, Business Plan and financial information provided by the Management in particular the iron ore resources as well as the grading and we have no responsibility for the reliability of the advice;
- As part of its going concern business, the Business Enterprise will successfully do all necessary activities for the completion and development of the Iron-Sand Deposit in accordance with the Services Agreement;
- The market value of the Business Enterprise is based on an average resources amount of 46.88 million tons;
- The proposed capital investment of the Iron-Sand Deposit is USD2.6 million;
- We have made reference to the market price for the iron concentrate 62% and iron sand placer 55%-57%. As at the Date of Appraisal (i.e. 30 June, 2010), the iron concentrate price is USD138.9 per ton with reference to China Import Iron Ore Fines 62% Fe spot whilst the iron sand placer price is USD102.6 per ton and USD98 per ton with reference to (i) China Import Iron Ore Fines 58% Fe spot, and (ii) 印度鐵礦石期貨報盤價格參考 (unofficial translated as Future Contract Price on India Iron Ore (grading 57%-58%)") (品位 57%-58%) respectively;
- According to the Management, the unit production cost of iron concentrate and iron sand placer at the Iron-Sand Deposit is USD17 per ton and USD15 per ton respectively inclusive of mining, processing and transportation expenses;
- According to the Management, the applicable rate for royalties is 3% of iron ore sale;
- The corporate income tax in Indonesia is 25% as at the Date of Appraisal;
- The recovery rate for conversion of raw iron sand to iron concentrate is approximately 37.63%, which is supported by the Assessment Report and the Management;
- The relevant permit(s) and license(s) such as the IUP Exploration, the IUP Production and Operation and IUP Transportation and Trading are able to be renewed in order to achieve the planned exploitation and development of the Iron-Sand Deposit;
- The products of the Iron-Sand Deposit are able to be sold at market price;

- The Business Enterprise has adequate working capital to implement the scheduled operations from time to time;

- There exist reliable and adequate transportation network and capacity for the mining products;

- All required licenses, certificates, consents, or other legislative or administrative authorities from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed by the Management 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 Indonesia, where the Business Enterprise is situated;

- The Management 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 stringent statutory mining safety measures, geologic formation structurally deformed, soil erosion and other types of unexpected accidents or natural disasters or catastrophes) to the scheduled operations; and

- The Business Enterprise can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the Indonesian Government.

14.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Date of Appraisal. 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 reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that 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 by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided 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 have, when and where possible, conducted a limited scope of inspections of the Iron-Sand Deposit, in particular the area in respect of which we have been provided with such information as we have requested for the purpose of our valuation. During our on site inspection conducted in January 2010, we noticed that the Iron-Sand Deposit is a greenfield mine without any mining operation.

As agreed, the purpose of the inspection is not to have a full scope investigation on the quantity and the quality of the Iron-Sand Deposit; rather, it is designed to give us a better understanding of the project and its surrounding areas. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of the Iron-Sand Deposit, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospect and in particular the Technical Report and the Business Plan of the Business Enterprise provided to us.

Our conclusion of the market value is derived from generally accepted appraisal 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.

We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content 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.

We hereby confirm that we have neither present nor prospective interest in the Business Enterprise, the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

15.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in United States Dollars (USD). The exchange rate adopted in our valuation is approximately USD1 = IDR9,074 which is approximately the prevailing exchange rate as at the Date of Appraisal.

16.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the appraisal method employed, we are of the opinion that the market value of the Business Enterprise, as at the Date of Appraisal is in the sum of **USD297,000,000** (**UNITED STATES DOLLARS TWO HUNDRED AND NINETY SEVEN MILLION ONLY**).

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung
Registered Business Valuer of HKBVF
MRICS, MHKIS, RPS (G.P.)
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 6 years' experience in business valuation in Hong Kong and the PRC.

(B) LETTER FROM THE FINANCIAL ADVISER

高信融資服務有限公司
Karl Thomson Financial Advisory Limited
Room 701, Tower One, Lippo Centre,
89 Queensway
Hong Kong

16 August 2010

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 valuation in respect of the PT. Dampar Golden International as at 30 June 2010 prepared by Norton Appraisals Limited as set out in Appendix V to the circular (the "**Circular**") issued by Asia Resources Holdings Limited (the "**Company**") dated 16 August 2010. The valuation, which is determined based on the discounted cash flows, is 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 the Company 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 the Company, we are of the opinion that the Forecast, for which the Company is 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
Karl Thomson Financial Advisory Limited
Alex Chow
Director

(C) 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

16 August 2010

The Board of 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 calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 16 August 2010 prepared by Norton Appraisals Limited (the "Valuer") in respect of the Valuation on 100% equity interest of PT. Dampar as at 30 June 2010 as set out in Appendix V of the Circular of the Company in connection with the proposed acquisition of 55% of the entire equity interest in PT. Dampar 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 100% equity interest in PT. Dampar.

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

Report to:

ASIA RESOURCES HOLDINGS LIMITED
UNIT 04 , 34TH FLOOR
BANK OF AMERICA TOWER
12 HARCOURT ROAD, CENTRAL
HONG KONG, CHINA

DAMPAR IRON SAND PROPERTY, INDONESIA

MARCH 2010

Prepared by	G.Z. Mosher	Date	March 17, 2010
Reviewed by	Jeff Wilson, Ph.D.	Date	March 15, 2010
Authorized by	Jeff Wilson, Ph.D.	Date	March 15, 2010

WARDROP

520B He Qiao Building
8 Guanghua Road
Chaoyang District
Beijing, PRC, 100026

WARDROP

REVISION HISTORY

REV. NO	ISSUE DATE	PREPARED BY AND DATE	REVIEWED BY AND DATE	APPROVED BY AND DATE	DESCRIPTION OF REVISION
1	MAR 18 2010	GZM MAR 18 2010			Corrections requested by Client

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.0 SUMMARY

The Dampar Property (Property) is 1,195.856 hectares in area, is located on the south coast of East Java, Indonesia at approximately 113º 5' East Longitude and 8º 17' South Latitude, and contains iron sands that are of potential economic interest as a source of iron.

The Property is wholly owned by Pt. Indo Modern Mining Sejaherta (Pt. Indo) through its subsidiary Pt. Dampar Golden International (Pt. Golden). Mighty Kingdom Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Asia Resources Holdings Limited, (ARHL), has the right to acquire a 55% interest in the Property by purchase of 55% of the shares of Pt. Golden, a wholly-owned subsidiary of Pt. Indo, for a consideration of HK$577,500,000.

Wardrop Engineering Inc. (Wardrop) has been retained by ARHL to prepare a Technical Report on the Dampar Property that is compliant with the reporting requirements of the Hong Kong Stock Exchange. ARHL has requested this report as part of their evaluation of the Dampar Property as a potential acquisition.

The Property comprises a portion of the Bupati Lumajang Licence (# 503/904/427.14/2009) that was issued on August 25, 2009 and is valid until June 30, 2011. The Bupati Lumajang Licence is 8,495.6 hectares in area.

Mineralization is comprised of iron (magnetite, hematite, and possibly other iron minerals) that is a component of sand that has accumulated as a consequence of the process of beach formation, therefore the mineralization is potentially co-extensive with the limits of the beach sands. In the central portion of the Property, iron-bearing sand is exposed on surface from the current shoreline inland for an average distance of about 500 meters. The southern third of the Property extends offshore south of the present shoreline. It can be reasonably presumed that iron-bearing sands extend offshore, although how extensive these submarine deposits may be is completely unknown.

During the period December 6 to 14, 2009, a sampling program and a resistivity survey were carried out on the Property by Pt. Position Indonesia on behalf of Pt. Indo. The sampling program was comprised of 30 auger holes and two test pits, from which 31 composite samples were submitted for analysis. Auger holes ranged in depth from one to four meters and were collected along two lines parallel to the shoreline, as well as at several other locations.

Iron-bearing sand was encountered in all sample locations tested within about 800 meters of the current shoreline.

The dipole-dipole resistivity survey was comprised of 12 survey lines, each 250 meters in length. The results of this survey suggest that the iron-bearing sand forms a relatively continuous layer that varies in thickness from about three to 10 meters throughout the area surveyed.

Sampling carried out on the Property to date has demonstrated the presence of a potential mineral deposit, however, at the present, limited level of exploration, the potential quantity and grade can only be considered to be conceptual in nature. The data that has been collected to date permits the identification of a range of possible tonnages from about 19 million to 75 million and a range of potential grades of Fe_2O_3 between about 8% and 40% or Total Iron (TFe) between about 5.5% and 35%.

The potential quantity and grade described above is conceptual in nature, as there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource.

Wardrop concludes that the results obtained to date are sufficiently encouraging that ARHL should carry out a detailed drill sampling program to accurately quantify the amount and grade of iron-bearing sand present. As well, ARHL should also collect a bulk sample of the iron-bearing sand to carry out metallurgical tests of the material and determine its suitability as a source of iron ore.

Specifically, Wardrop recommends that ARHL carry out a systematic grid drilling program comprised of 100 holes at a spacing of 100 meters, to test an area measuring 2,000 meters in an east-west direction by 500 meters in a north-south direction, and to a depth of 10 meters. This will amount to an aggregate of 1,000 meters of drill sampling and will produce 1,000 one-meter samples. This sampling program is estimated to cost about US$60,000 and if successful should provide sufficient information to permit the calculation of a JORC or NI 43-101 compliant resource estimate.

ARHL should also collect a representative bulk sample of iron-bearing sand, or use the samples collected from the drilling program, to carry out metallurgical tests to determine the suitability of this material as a source of iron ore. Such a bulk sampling and metallurgical test is estimated to cost about US$10,000.

2.0 INTRODUCTION AND TERMS OF REFERENCE

The Dampar Property is located on the south coast of East Java, Indonesia, and contains iron sands that are of potential economic interest as a source of iron.

Wardrop Engineering Inc. (Wardrop) has been retained by Asia Resources Holdings Limited (ARHL) to prepare a Technical Report on the Dampar Property that is compliant with the reporting requirements of the Hong Kong Stock Exchange. ARHL has requested this report as part of their evaluation of the Dampar Property as a potential acquisition.

ARHL is incorporated in Bermuda and acts as an investment holding company; its subsidiaries are engaged in the manufacture and sales of pharmaceutical products in the Peoples' Republic of China.

Sources of information used in this report are listed in Section 21.0, References.

As part of the preparation of this Technical Report the author visited the Dampar Property on February 10, 2010.

3.0 RELIANCE UPON OTHER EXPERTS

Wardrop has relied upon ARHL for information pertaining to the Property title. Wardrop has not verified this information. Wardrop has also relied upon information regarding the sampling program that was carried out on the Property in 2009 that was described in a technical report provided to Wardrop by ARHL[4]. Wardrop has assumed that the work described in this report was carried out by competent persons.

4.0 PROPERTY DESCRIPTION AND LOCATION

The Dampar Property (Property) is 1,195.856 hectares in area and is located in Lumajang District, East Java, Indonesia at approximately 113º 5' East Longitude and 8º 17' South Latitude.

The Property comprises a portion of the Bupati Lumajang Exploration Licence (# 503/904/427.14/2009) that was issued on August 25, 2009 and is valid until June 30, 2011. The Bupati Lumajang Licence is 8,495.6 hectares in area; the Dampar portion is 1,195.856 hectares in area. The Bupati Lumajang Exploration Licence, including the Dampar portion, is held by Pt. Indo. Ownership of this licence entitles Pt. Dampar to conduct general surveys, exploration, and feasibility studies of the entire licence area.

Pt. Indo has applied for a Production and Operating Licence.

Neither the Dampar nor the Bupati Lumajang licence areas has been surveyed; the boundaries are defined on the basis of map coordinates. The coordinates of the corners of the Property are tabulated below in Table 4-1 and illustrated in Figures 4-1 and 12-1.

Table 4-1: Dampar Property Boundary Coordinates

CORNER		EASTING				SOUTHING	
	DEGREES	MINUTES	SECONDS		DEGREES	MINUTES	SECONDS
1	113	4	0		8	16	0
2	113	5	30		8	16	0
3	113	5	30		8	17	39
4	113	4	16		8	17	39
5	113	4	16		8	18	0
6	113	4	0		8	18	0

The Property is wholly owned by Pt. Indo Modern Mining Sejaherta (Pt. Indo) through its subsidiary Pt. Dampar Golden International (Pt.Golden). Mighty Kingdom Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Asia Resources Holdings Limited, has the right to acquire a 55% interest in the Property by purchase of 55% of the shares of Pt. Golden for a consideration of HK$577,500,000.

By acquiring an interest in Pt. Golden, ARHL will acquire the rights granted under the Exploration Licence. This right to explore will continue for the life of the Exploration Licence, that is, until June 30, 2011.

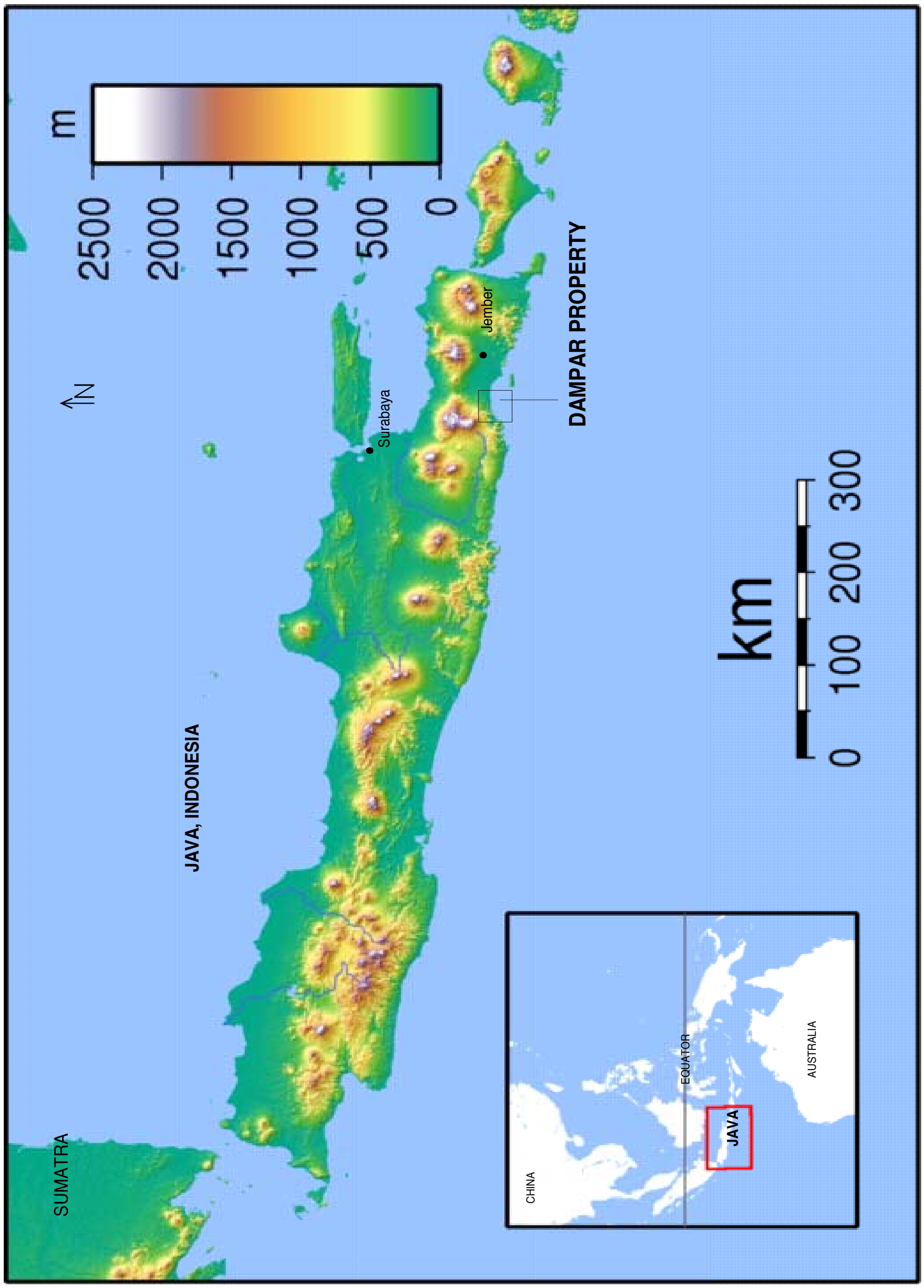
As of the date of this report, Pt. Indo has not acquired a Mining and Operating licence; therefore, ARHL does not at present have the right to conduct mining operations within the Property.

Taxes payable on production are 28% of net profits. A royalty of US$3.00/tonne of product is also payable. The royalty is intended to cover the cost of environmental remediation as well as local government administrative costs.

There are no third-party claims with respect to exploration rights on the Property.

All necessary permits required to carry out exploration of the Property are in place.

Figure 4-1: Dampar Property Location



After: http://en.wikipedia.org/wiki/Template:Location_map_Indonesia_Java

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Property is situated on the southern shore of the island of East Java. The southern third of the Property lies below sea level; elevations within the central third of the Property range from sea level to about 10 meters above sea level. The northern third of the Property rises from a few meters above sea level to about 50 meters above sea level.

The active beach and band of sand dunes to the north of the present shoreline, which are presumed to have developed during periods of higher sea level, are either bare or covered by sparse grasses and vines. The southern boundary of the central lagoon is marked by a fringe of palm trees. The northern margin of the lagoon is bordered by rice paddies; the northern third of the Property is developed as a coconut and cocoa plantation.

The northern and western portions of the Property are accessible by paved roads that lead to the village of Dampar on the west-central boundary of the Property. A tidal inlet separates Dampar village from the main area of iron-bearing sand accumulation, but access to the eastern portion of the Property, and the main area of iron-bearing sand, is possible via several unpaved roads that branch south from the main paved road.

The nearest community of significant size is Jember, the third largest city in Java with a regional population of about three million, that is located about 70 kilometers to the northeast of Dampar. A well-developed road network connects the Property area with the rest of Java; as well, a rail line extends to within about 10 kilometers of the Property. It is probable, however, that the optimal means of transport for any mining operation within the Property would be by sea.

The climate is tropical; there two seasons, the rainy season extends from October to April and the balance of the year is dry. Temperature ranges between about 20º and 30º Celsius. Exploration and mining operations can be conducted year-round.

It will be necessary to acquire surface rights in order to conduct a mining operation; these rights are not currently held by Pt. Golden. The area is serviced by the national electrical grid but it is not known whether there is sufficient surplus power to support a mining operation. There is, however, sufficient water and the necessary skilled trades are available locally. Sufficient areas for disposal of waste material (non-iron-bearing sand) exist within the Property area but as mentioned above, it will be necessary to acquire the relevant surface rights.

6.0 HISTORY

In 1992 the geology of the Property area was documented by the Center for Research and Development of Geology as the Jember Geological Map Sheet at a scale of 1:100,000.

The area was also covered by a regional geochemical survey in 1995 by the Directorate of Mineral Resources.

Data pertaining to iron sand resources was included in a 2007 government mineral inventory report.

There has been no known previous commercial exploration or evaluation of the iron sands within the Property.

7.0 GEOLOGICAL SETTING

7.1 REGIONAL GEOLOGY

The Indonesian islands of Java and Sumatra are situated on the subduction zone between the overlying Eurasia Plate to the north, and the northward-thrusting Indo-Australian Plate to the south. The subduction zone itself is manifested by the Sunda Trench.

The oldest rocks in Indonesia are comprised of gneiss, schist and quartzite of pre-Carboniferous age that are unconformably overlain by sedimentary formations, predominantly continental clastics, of Cenozoic age.

Both the geology and topography of Java are dominated by a chain of Tertiary-age to Recent volcanoes that comprise a portion of the Sunda Arc, that has formed parallel to and above the subduction zone and extends the length of both Sumatra and Java. Volcanic flow rocks are not common; most material is erupted as ash and scoria and is predominantly of andesitic composition. The beach sands and the contained iron that is the focus are derived from these volcanic rocks.

7.2 LOCAL GEOLOGY

The oldest rocks in the Property area are of Tertiary age and are comprised of sandstone, claystone, tuff, breccias and conglomerate. These are overlain by volcaniclastic rocks including volcanic breccias and tuff of Upper Tertiary age. These rocks are overlain by Sukamande Formation claystone and sandstone of Upper Tertiary – Lower Quaternary age. The Sukamande Formation is overlain by andesitic tuff, breccias, and flows, as well as conglomerate, sandstone and tuffaceous sandstone that were derived from the volcanic rocks.

Erosion of volcaniclastic rocks has led to the development of iron-rich placer sands, particularly on the south coast of Java. Where these sands have been transported to, or developed along the coast, wave action and longshore currents have acted to further concentrate the heavy-mineral fraction of the sands.

8.0 DEPOSIT TYPES

The Dampar iron sands belong to the general class of heavy mineral sand deposits which are placer deposits comprised of concentrations of minerals with high specific gravities deposited within clastic sediments in fluvial, beach and near-shore environments.

Placer accumulations in beach and near-shore environments are formed by the winnowing action of waves and longshore currents. Placer beach deposits also commonly are re-worked by aeolian processes to form sand dunes inland of the strandline deposits.

The composition of the source rocks determines the composition of the heavy minerals that ultimately accumulate: zircon, ilmenite, rutile, and leucoxene are commonly derived from granitic rocks; iron is commonly derived from mafic volcanic rocks, and chromite from ultramafic rocks. Until the recent high demand for iron ore, the iron component of these deposits has not been of specific commercial interest.

These deposits may be of any geological age, although deposits of Tertiary and Quaternary age are most common, presumably because of destruction of older deposits.

Size and grade of these deposits varies considerably: the width of individual strandline deposits commonly ranges from 100 to 200 meters, but composite strandlines can be up to 1000 meters wide. Thickness generally ranges from five to 15 meters and length from two to 20 kilometers. Grades vary widely – from several to 90%.

Iron sand beach placers are mined commercially in New Zealand and similar deposits have been identified in Chile. The Taharoa deposit in New Zealand is estimated to contain total resources of about 660 million tonnes with grades on the order of 55% iron and 25% TiO_2.[2]

9.0 MINERALIZATION

Surface exposures of iron-bearing sand at the Dampar Property extend from the current strandline inland for a maximum distance of about 600 meters at the western end of the Property, to about 300 meters inland at the eastern boundary. The distance between the western and eastern boundaries is about 2,500 meters. Auger sampling and pitting has demonstrated that iron-bearing sands probably extend under soil cover for several hundred meters inland beyond the most northerly surface exposures. The central portion of the licence area is occupied by a lagoon. Sampling in this area has demonstrated that iron bearing sands are probably present throughout most of this area. Topography rises abruptly from the northern shore of the lagoon and represents the paleo-shoreline; therefore it can be reasonably assumed that the northern third of the Property does not contain any iron-bearing sand. (Figure 12-1) No sampling has been done offshore beyond the current strandline so it is not possible to comment whether submarine iron-bearing sands occur to the south beyond the present shoreline.

Surface sampling has penetrated to a maximum depth of about four meters below surface and has demonstrated that iron-bearing sands extend beyond this depth. The surface exposures of the iron-bearing sand are comprised of four to five ridges, representing paleo- strandlines or dunes that converge from west to east, with steep south faces and gently- dipping north faces. The steep faces are three to five meters in height, so the ultimate thickness of iron-bearing sand can reasonably be expected to exceed the four-meter thickness that has been tested by auger holes.

Assays are available for 31 samples; Iron oxide grades, expressed as Fe_2O_3, range from about 27% to 40%; as total iron (TFe) from about 20% to 35%, with no apparent trend in distribution of grades. Because of the limited amount of sampling no inferences can be made with respect to continuity of iron in any dimension.

10.0 EXPLORATION

10.1 ARHL

ARHL has done no exploration on the Dampar Property to date. The work described below was carried out by Pt. Position Indonesia under contract to Pt. Indo Modern Mining Sejahtera, the Property owner.

10.2 Pt. INDO MODERN MINING SEJAHTERA

During the period December 6 to 14, 2009, a sampling program and a resistivity survey were carried out on the Property. The sampling program was comprised of 30 auger holes and two test pits, from which 31 composite samples were submitted for analysis. Auger holes ranged in depth from one to four meters and were collected along two lines parallel to the shoreline, as well as at several other locations.

Details of the sampling program are presented below in Section 12.0, but the outcome can be summarized here by stating that iron-bearing sand was encountered in all sample locations tested within about 800 meters of the current shoreline. As noted above in Section 9.0, this sampling program was highly preliminary in nature and superficial with respect to the depth of penetration. It was useful, however, in indicating that iron-bearing sand is widespread and of a generally consistent composition.

The dipole-dipole resistivity survey was comprised of 12 survey lines, each 250 meters in length, that are shown in Figure 10-2. Electrode spacing was 10 meters with an inferred depth penetration of 30 vertical meters (n = 1 to 8). Resistivity values for survey lines close to the shoreline where sands are saturated by salt water were very low relative to resistivity values obtained from dry or non-saline sand further inland. Regardless, the relative contrast between iron-bearing sand and non-magnetic sand suggests that the iron-bearing sand forms a relatively continuous layer that varies in thickness from about three to 10 meters.

11.0 DRILLING

No drilling has been conducted on the Property.

12.0 SAMPLING METHOD AND APPROACH

12.1 ARHL

ARHL has not conducted any sampling on the Dampar Property.

12.2 Pt. INDO MODERN MINING SEJAHTERA

The work described below was carried out by Pt. Position Indonesia under contract to Pt. Indo Modern Mining Sejahtera, the Property owner.

The auger sampling program was comprised of 30 holes of 2.5 inch (6.25 centimeter) diameter that ranged in depth from one to 4.5 meters. Details of location and length are given below in Table 12-1, and locations are shown in Figure 12-1.

The holes were sampled in three-foot (91.4 centimeter) increments and were subsequently composited to one sample per hole, with the exception of holes DLN 28, 29, and 30, from each of which two samples were submitted for analysis.

Table 12-1: Dampar Auger Hole Locations

MAP #	SAMPLE #		EASTING				SOUTHING		LENGTH		
		DEGREES	MINUTES	SECONDS		DEGREES	MINUTES	SECONDS	(m)	Fe_2O_3	Total Fe
DS 1	DLN 1-50	113	4	16.0		8	17	26.4	3.8	34.71	31.86
DS 2	DLN 1-150	113	4	18.9		8	17	24.7	4.0	27.70	23.67
DS 3	DLN 2-50	113	4	24.4		8	17	22.1	2.8	30.66	30.25
DS 4	DLN 2-150	113	4	27.4		8	17	20.8	1.0	30.45	28.40
DS 5	DLN 3-50	113	4	32.9		8	17	18.5	3.5	29.20	27.23
DS 6	DLN 3-150	113	4	36.0		8	17	17.3	4.0	27.25	23.04
DS 7	DLN 4-50	113	4	44.5		8	17	14.9	4.3	31.41	28.31
DS 8	DLN 4-150	113	4	47.7		8	17	14.2	4.0	32.36	25.01
DS 9	DLN 5-50	113	5	5.8		8	17	13.1	2.8	30.57	26.03
DS 10	DLN 5-150	113	5	9.2		8	17	13.1	4.0	33.95	35.40
DS 11	DLN 6-50	113	4	53.0		8	17	13.7	4.5	30.98	25.70
DS 12	DLN 6-150	113	4	56.3		8	17	13.5	4.0	28.56	20.91
DS 13	DLN 7-50	113	4	24.4		8	17	14.7	2.0	40.60	35.01
DS 14	DLN 7-150	113	4	27.4		8	17	13.6	3.5	34.24	36.21
DS 15	DLN 8-50	113	4	31.7		8	17	11.9	2.0	35.00	29.30
DS 16	DLN 8-150	113	4	34.8		8	17	10.6	2.5	35.51	34.20
DS 17	DLN 9-50	113	4	39.2		8	17	8.7	3.3	40.47	23.45
DS 18	DLN 9-150	113	4	42.3		8	17	17.4	1.0	33.36	33.22
DS 19	DLN 10-50	113	4	46.8		8	17	5.5	1.0	26.51	31.00
DS 20	DLN 10-150	113	4	49.7		8	17	4.1	3.8	32.67	31.57
DS 21	DLN 11-50	113	4	32.6		8	17	16.7	2.5	29.89	27.60
DS 22	DLN 11-150	113	4	31.7		8	17	13.6	2.0	30.21	26.61
DS 23	DLN 12-50	113	4	54.4		8	17	4.1	3.5	29.60	28.60
DS 24	DLN 12-150	113	4	57.5		8	17	4.8	4.0	31.60	25.90
DS 25	DLN 25	113	4	45.7		8	16	48.7	3.0	31.34	28.30
DS 26	DLN 26	113	4	42.3		8	16	49.0	3.5	NS	
DS 27	DLN 27	113	4	39.1		8	16	49.5	3.0	NS	
DS 28	DLN 28A	113	4	30.0		8	17	0.0	4.0	27.26	23.41
DS 29	DLN 28B	113	4	30.0		8	17	0.0	4.0	26.19	20.21
DS 30	DLN 29A	113	4	33.5		8	16	59.5	2.5	27.20	22.45
DS 31	DLN 29B	113	4	33.5		8	16	59.5	2.5	33.36	30.25
DS 32	DLN 30A	113	4	36.5		8	16	59.0	1.0	32.25	32.63
DS 33	DLN 30B	113	4	36.5		8	16	59.0	1.0	31.93	31.70
DS 34	TEST PIT 1	113	4	55.0		8	16	56.5	1.0	NS	
DS 35	TEST PIT 2	113	4	12.0		8	16	24.6	6.0	NS	
DS 36	KY 1	113	4	15.0		8	16	17.7	NA	NS	
DS 37	KY 2	113	4	33.1		8	16	20.7	NA	NS	

Sample sites are irregularly distributed within an area that measures about 2000 meters east-west by 1000 meters north-south; those samples closest to the shoreline are spaced about 100 meters apart.

There are no known factors relating to recovery or sampling that could materially impact the accuracy and reliability of the results. No bias is evident in the choice of drill hole locations and the resultant samples are considered to be representative of the iron sand present.

The auger holes are all vertical and sample thicknesses are true thicknesses of the material sampled.

Figure 12-1: Dampar Auger Hole Locations

13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

13.1 ARHL

ARHL has not conducted any sampling on the Dampar Property.

13.2 PT. INDO MODERN MINING SEJAHTERA

Sampling was done by PT Position under contract to PT Indo Modern Mining Sejahtera.

Auger samples were collected in three-foot (91-centimeter) increments because of the design of the sampling equipment. A spoon-type auger was used in dry material and a bailer was used for wet material. Sample material was removed from the spoon or bailer and placed in labelled plastic bags. The location of each sample was determined by GPS.

No quality control measures, i.e. the use of duplicates, blanks or standards, were employed in the sampling program, and no special measures were taken to ensure sample integrity.

Samples were sent for analysis to Superintending Company of Indonesia (SUCOFINDO) in Surabaya, Java, for analyses of Al_2O_3, S, Fe_2O_3, TFe, P, SiO_2, and TiO_2. SUCOFINDO is an ISO certified company that is 95% owned by the government of Indonesia.

It is Wardrop's opinion that the sampling, sample preparation, security and analytical procedures are adequate for the purpose of demonstrating the presence on the Property of iron-bearing sands of potential economic significance.

14.0 DATA VERIFICATION

During the site visit, Wardrop collected five (5) samples of sand from various locations within the western portion of the Property. Samples were collected from the walls of hand-dug pits and each was approximately 30 centimeters deep. These samples were submitted to SGS in Tianjin, China, for analysis of Al_2O_3, S, Fe_2O_3, TFe, P, SiO_2, and TiO_2, and LOI (loss on ignition). Results are tabulated below in Table 14-1.

Table 14-1: Dampar Check Analyses

SAMPLE		EASTING				SOUTHING			
	DEGREES	MINUTES	SECONDS		DEGREES	MINUTES	SECONDS	Fe_2O_3	Total Fe %
D1	113	4	25.4		8	17	22.1	9.09	6.37
D2	113	4	25.2		8	17	19.4	13.88	9.71
D3	113	4	24.8		8	17	15.8	10.04	7.03
D4	113	4	20.2		8	17	11.4	13.32	9.32
D5	113	4	16.9		8	17	10.1	18.66	13.06

The iron oxide content (expressed as Fe_2O_3) of these samples is from one third to one quarter of those samples collected by Pt. Position Indonesia on behalf of Pt. Indo. This difference may be attributable to the fact that the Wardrop samples were collected from near-surface and have higher silica content than do the Pt. Indo samples that were collected over greater vertical interval. This suggests that the iron content may increase with depth.

Wardrop sample assay results confirm the presence of iron in the Dampar sands. The difference between Wardrop assays and those provided by PT Indo Modern Mining Sejahtera is considered material, and additional sampling and check assaying is warranted.

Figure 14-1: Wardrop Check Sample Locations

15.0 ADJACENT PROPERTIES

The author is not aware of any iron sand operations in the vicinity of the Property. However, Pt Indo, the owner of the Dampar Property, commissioned the Changsha (China) Institute of Mining Research to conduct a Preliminary Economic Assessment, effective date December 18, 2009, of mining and processing iron sand on an adjacent iron sand property, the Jember Licence area, about 20 kilometers to the east of the Dampar Property.

The iron sands contained within the Jember Licence have not been characterized by sampling or drilling, and therefore there is no guarantee that the results of the Jember Preliminary Economic Assessment can be meaningfully extrapolated to the Dampar Property. For this reason, the Jember report is not quoted here.

16.0 MINERAL PROCESSING AND METALLURGICAL TESTING

No metallurgical testing analyses have been carried out on any material from the Property.

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

17.1 CURRENT RESOURCES OR RESERVES

There are no current resources or reserves on the Property.

17.2 POTENTIAL MINERAL DEPOSIT

Sampling carried out on the Property to date has demonstrated the presence of a potential mineral deposit that is to be the target of further exploration. This potential deposit is described below as a range of potential tonnages and grades of mineralized sands.

The area within which sampling has been conducted measures about 2,500 meters in length by about 300 to 1000 meters in width by about three to 10 meters thickness. Therefore, a potential iron-bearing sand deposit has been identified that has a possible volume between a lower range of approximately 2,500 x 500 x 5 = 6,250,000 meters^3 and an upper range of about 2,500 x 1,000 x 10 = 25,000,000 meters^3.

At a presumed specific gravity of 3.0, this gives a range between 18,750,000 and 75,000,000 tonnes.

Sampling by Pt. Indo and Wardrop has indicated a range of in-situ iron oxide grades between about 8% and 40% Fe_2O_3 or between 5.5% and 35%.

The potential quantities and grades described above are conceptual in nature, as there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource.

18.0 OTHER RELEVANT DATA AND INFORMATION

There is no other relevant data or information with respect to the Property.

19.0 INTERPRETATION AND CONCLUSIONS

Auger sampling and resistivity geophysical surveying of the Dampar Property in southeastern Java, Indonesia, has demonstrated the widespread presence of iron-bearing sand.

There is insufficient data to currently estimate a mineral resource. Exploration to date has identified a potential deposit of iron-bearing sand of between about 19 million and 75 million tonnes, at a grade between 8% and 40% Fe_2O_3 or between 5.5% and 35% TFe.

The potential quantity and grade described above is conceptual in nature, as there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource.

Wardrop concludes that the results obtained to date are sufficiently encouraging that ARHL should carry out a detailed drill sampling program to accurately quantify the amount and grade of iron-bearing sand present.

ARHL should also collect a bulk sample of the iron-bearing sand to carry out metallurgical tests of the material and determine its suitability as a source of iron ore.

20.0 RECOMMENDATIONS

Wardrop recommends that ARHL carry out a systematic grid drilling program comprised of 100 holes at a spacing of 100 meters, to test an area measuring 2,000 meters in an east-west direction by 500 meters in a north-south direction, and to a depth of 10 meters. This will amount to an aggregate of 1,000 meters of drill sampling and will produce 1,000 one-meter samples.

ARHL should also collect a representative bulk sample of iron-bearing sand, or use the samples collected from the drilling program, to carry out metallurgical tests to determine the suitability of this material as a source of iron ore.

Successful completion of these recommendations should provide sufficient information to permit the quantification of the amount of iron present, and to determine whether the Dampar Property represents a source of iron of potential economic significance.

The drill program is estimated to cost approximately US$60,000 including drilling, supervision, transportation of samples to the assay laboratory and assaying. Duplicate samples should be collected for about 10% of the samples collected and these duplicates should be submitted for analysis together with the original samples in order to test the accuracy of the analyses. Successful completion of this sampling program should provide sufficient data to permit a JORC or NI 43-101 acceptable resource estimate.

Metallurgical testing is estimated to cost about US$10,000.

21.0 REFERENCES

1. Changsha Institute of Mining Research, December 18, 2009
Lumajang/Jember Iron Sand Mining/Processing Project Indonesia:
Preliminary Economic Study

2. Cheung Kong Infrastructure Holdings Limited
Press release August 26, 2008
www.cki.com.hk

3. Indonesia Government;
Regional Geology of Indonesia, Chapter 3: Geology & Tectonics
http://www.jsce.or.jp/committee/2004 sumatra.chapter_3

4. Pt. Position
General Exploration of Iron Sand in the Dampar Block, Lumajang District,
East Java Province, Indonesia
For Pt. Indo Modern Mining Sejahtera

5. Saskatchewan Geological Survey
Mineral Deposit Model Number 29: Placer and Paleoplacer
www.er.gov.sk.ca

6. Superintending Company of Indonesia, December 25, 2009
Report of Analysis
For Pt. Dampar Golden International

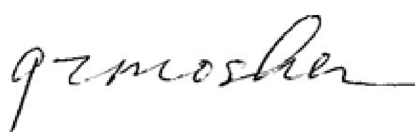
22.0 CERTIFICATE OF QUALIFIED PERSON

I, Greg Z. Mosher, of Vancouver, Canada, do hereby certify that as the author of this **TECHNICAL REPORT ON THE DAMPAR IRON SAND PROPERTY, INDONESIA**, dated March, 2010, I hereby make the following statements:

- I am a Senior Geologist with Wardrop Engineering Inc. with a business address at Beijing, China.
- My business address is: 520B He Qiao Building, 8 Guang Hua Road, Chaoyang District, Beijing PRC, 100026.
- I am a graduate of Dalhousie University, (B.Sc.Hons, 1970), and McGill University, (M.Sc. Applied, 1973).
- I am a member in good standing of the Association of Professional Engineers and Geoscientists of British Columbia (License #121151).
- I have practiced my profession continuously since graduation.
- I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and certify that, by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purpose of NI 43-101.
- My relevant experience with respect to placer-type iron sands includes the evaluation of placer-type deposits, primarily gold, over a period of 30 years.
- I visited the Property on February 10, 2010.
- I am responsible for the preparation of all portions of this technical report titled "Technical Report on the Dampar Iron Sand Property, Indonesia", dated March, 2010.
- I am independent of the Issuer as defined by Section 1.4 of the Instrument.
- I have no prior involvement with the Property that is the subject of the Technical Report.
- I have read National Instrument 43-101 and the Technical Report has been prepared in compliance with National Instrument 43-101 and Form 43-101F1.

- As of the date of this Certificate, to my knowledge, information and belief, this Technical Report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Signed and dated this 17th day of March, 2010 at Vancouver, Canada.



Greg Z. Mosher, P.Geo.

WARDROP
FILE COPY ONLY

CERTIFICATE OF QUALIFIED PERSON

I, Greg Z. Mosher, of Vancouver, Canada, do hereby certify that as the author of this **TECHNICAL REPORT ON THE DAMPAR IRON SAND PROPERTY, INDONESIA**, dated March, 2010, I hereby make the following statements:

- I am a Senior Geologist with Wardrop Engineering Inc. with a business address at Beijing, China.
- I am a graduate of Dalhousie University, (B.Sc.Hons, 1970), and McGill University, (M.Sc. Applied, 1973).
- I am a member in good standing of the Association of Professional Engineers and Geoscientists of British Columbia (License #121151).
- I have practiced my profession continuously since graduation.
- I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and certify that, by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purpose of NI 43-101.
- My relevant experience with respect to placer-type iron sands includes the evaluation of placer-type deposits, primarily gold, over a period of 30 years.
- I visited the Property on February 10, 2010.
- I am responsible for the preparation of all portions of this technical report titled "Technical Report on the Dampar Iron Sand Property, Indonesia", dated March, 2010.
- I am independent of the Issuer as defined by Section 1.4 of the Instrument.
- As of the date of this Certificate, to my knowledge, information and belief, this Technical Report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

- I have no prior involvement with the Property that is the subject of the Technical Report.

Signed and dated this 17th day of March, 2010 at Vancouver, Canada.

g z mosher

Greg Z. Mosher, P.Geo.

WARDROP ENGINEERING INC.

STATEMENT OF QUALIFICATIONS

FOR

HONG KONG STOCK EXCHANGE

MARCH 2010

Prepared by	G.Z. Mosher	Date	March 10, 2010
	Greg Mosher, P.Geo.	Date	March 10, 2010

WARDROP

Room 520B Tower B, No. 8 Guanghua Road, Chaoyang District, Beijing China, 100026
Phone: 8610.65814856 Fax: 8610.65814853

TABLE OF CONTENTS

1.0 INTRODUCTION

Wardrop, A Tetra Tech Company (Wardrop) is pleased to provide our Statement of Qualifications to highlight our technical reporting capabilities to the Hong Kong Stock Exchange (HKEX).

Wardrop was established in Canada in 1955 and has been involved in the mining industry since the 1960s. We have earned an international reputation for providing effective studies and sound engineering solutions.

Our technical advisory team have expertise in completing Technical Reports compliant with National Instrument 43-101 (NI 43-101) and JORC reporting standards. We have completed over 100 Technical Reports in over 50 countries worldwide in the past three years and have assisted mining companies in listing on various international exchanges.

Further, we are ISO 9001:2000 certified, to ensure consistent quality service to our clients, while meeting regulatory requirements.

In assessing Wardrop's qualifications, we ask that you consider the following key attributes that Wardrop brings to its clients in the mining sector:

- 50+ years of engineering excellence, including extensive work on technical reporting and studies that meet NI 43-101, JORC and multilateral bank standards – ***we know what banks and securities commissions look for***
- ***We are a global company with extensive experience working internationally***
- The qualifications of our multinational, multi-disciplined staff, which includes experience in both operations and consulting, as well as experience in China – ***our staff offer a wide range of languages including Mandarin and Cantonese, and international experience***
- We have an office located in Beijing, China – ***we have local experience working in China***
- ***Demonstrated commitment to quality*** – all work on projects follow third party review procedures in keeping with ISO 9001:2000 standards.

With this level of experience and expertise we are able to assemble diverse and well-qualified teams for clients in the international forum.

2.0 WARDROP OVERVIEW

People, Passion, Performance. Trusted Globally.

Established in 1955, Wardrop is an internationally recognized firm with locations in Canada, China, India, the United Kingdom and the USA and employs more than 1,000 people, 400 of which are in the Mining Division. We have the ***people***, the ***services***, and the ***global presence*** to successfully complete mining projects of all stages around the world.

A recent merger with Tetra Tech Group, a US based leading provider of consulting, engineering, program management, construction and technical services for the resource management and infrastructure markets, has enhanced our collective natural resource development capabilities. Together, with more ***than 10,000 employees globally***, we are now better positioned to serve our customers at every stage of the project life cycle.

Our core competencies, areas of specialization, and key planning, engineering and environmental services are in the following sectors:

- Mining
- Infrastructure
  - Water Supply & Sanitation
  - Transportation – Roads, Bridges and Airports
  - Community Infrastructure
- Energy
  - Power, Nuclear Energy, Oil & Gas/Industrial

Wardrop has successfully undertaken projects in over 50 countries, and our mining and mineral processing technical specialists have executed successful projects worldwide.

Our client base has employed our capabilities to develop engineering studies, from due diligence to feasibility, and to design quality mines and process facilities as a part of the solid foundation for a sound investment decision. As a result of our quality work, our client list comprises major players in the mining, including BHP Billiton, Cameco Corporation, Eldorado Gold, Xstrata, Goldcorp, Vale INCO, Teck, and Yamana Gold to name a few. Many of our clients reiterate their confidence in Wardrop by providing us with repeat business.

2.1 MINING DIVISION

"We enable the maximum economic performance of global mining projects throughout the resource life cycle."

Wardrop has been working in the global mining industry since the early 1960s. Over the years, we have developed a vast range of knowledge and expertise in the mining, milling, and mineral processing fields.

The life cycle of a mine presents many challenges. We meet these challenges, servicing the world of mining from the ground up: from exploration, through development (geological resource models, scoping to feasibility studies, detailed design, plant optimization, EPCM), production, and closure.

Our five primary areas of expertise and services include:

Front-end Studies
- Initial property assessments
- Due diligence
- NI 43-101/JORC compliant technical reports
- Scoping to feasibility studies

Plant Optimization
- Comminution circuit optimization including crushing and grinding equipment sizing, material handling, product particle size and flowsheet
- New comminution technologies
- Reagent regime optimization
- Flowsheet optimization
- Recovery/concentrate grade optimization

Engineering Design and Operations Support
- Water Management Systems
- Tailings Storage Facilities
- Waste Rock Storage Facilities
- Heap Leach Pads
- Civil Infrastructure Design

Engineering, Procurement, and Construction Management (EPCM)
Multidisciplined engineering, design, and construction services to develop new or existing mining projects globally.

Environmental
Integrated mining environmental services taking your projects from exploration, through environmental assessment and permitting, to operation and closure.

2.2 FINANCIAL ADVISORY CAPABILITIES SUMMARY

Wardrop has provided quality independent expertise to mining companies, financial institutions, and security commissions worldwide and has knowledge of the complexities of project valuation, financing, and international reporting standards required to list companies on various international stock exchanges.

Services provided in this area of expertise include:

- **Risk Assessments** (technical, financial, political)
- **Property Valuation** (mineral properties, reserves, mines, mineral processing facilities)
- **Due Diligence Reviews** (investment decisions, mergers & acquisitions, disposition, financings)
- **Technical Reports** (NI 43-101/JORC required for company listings on international stock exchanges such as: Canadian, USA, London, AIM, Australian, Hong Kong.)

3.0 EXPERIENCE

3.1 EXPERIENCE IN CHINA

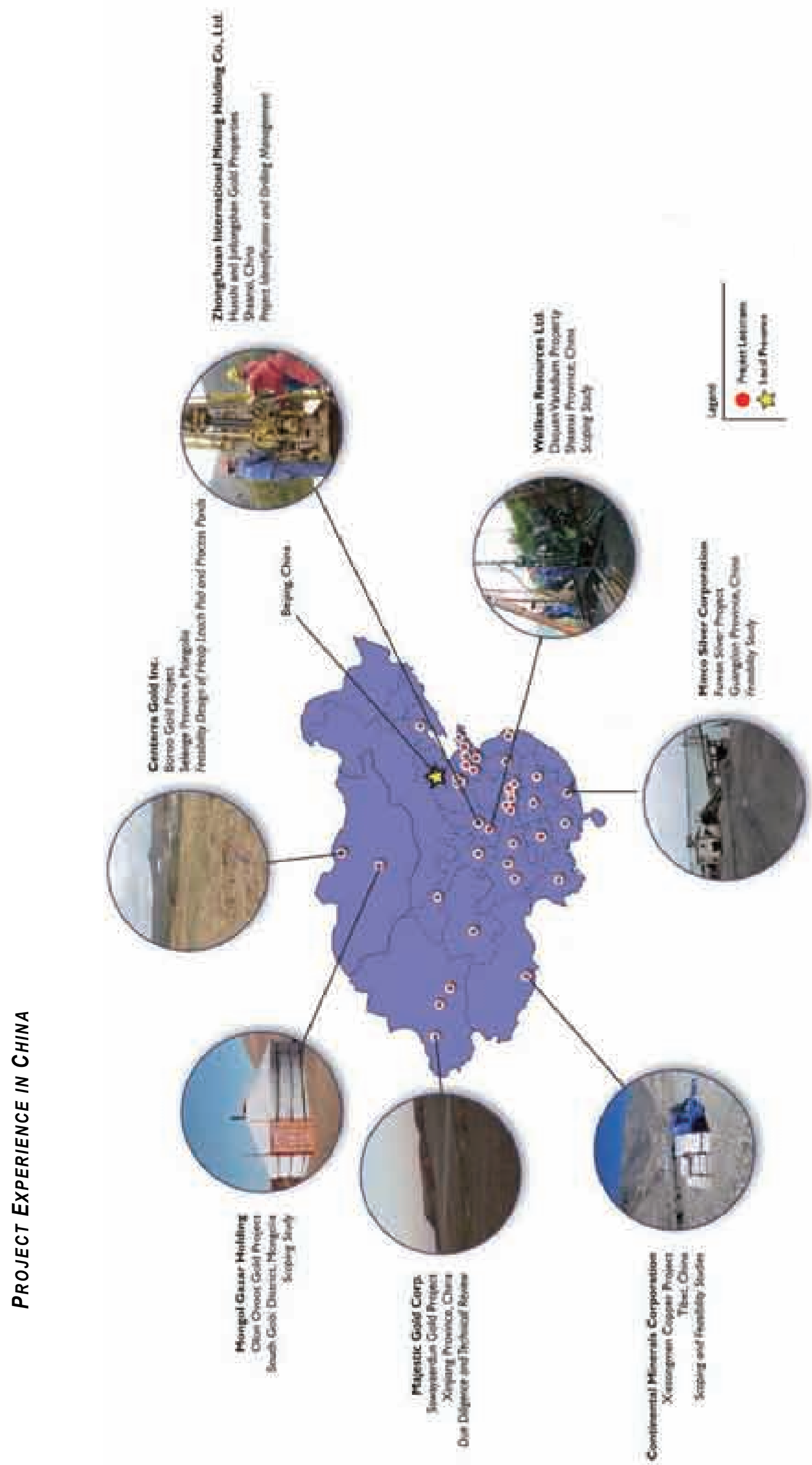
Wardrop has gained valuable knowledge and a deep understanding of doing business in Asia. The establishment of our Beijing office has given us the opportunity to carry out projects and studies in China on behalf of foreign and domestic clients and to work with some of China's largest engineering firms such as NERIN, Environmental Resources Management (ERM), and local mining clients such as Zhongchuan International Mining Holding Co., Ltd. (Canada Jiuyi Investment Ltd.).

Our technical and professional Mandarin and Cantonese speaking staff have worked in most provinces in China. Our expertise, combined with local experience and continuing relationships with our clients, is key to delivering successful projects globally.

The map overleaf provides a sample of projects we have recently completed in China.

WARDROP

Asia Resources Holdings Limited



The following projects are recent examples of Wardrop's capabilities in meeting client requirements, and further demonstrate our extensive experience and development of co-operative, mutually beneficial ongoing relationships with our clients and local partners in China.

COUNTRY	PROJECT/PROPERTY	CLIENT	SCOPE OF SERVICES
China	Maanshan Property	Green Earth Mining Resources Ltd.	Geological modeling
China	Jinlongshan Project	Beijing Jiuyi Investment Co.	NI 43-1010 technical report & resource estimate
China	Qiwu and Shangtanwu	Dexing Huajin Mining Co. Ltd.	Due diligence
China	Rushan Daye	Goldrea Resources Corp.	NI 43-101 report on an existing mine & establish acquisition value
China	Gansu Province Properties	GSL Group	Due diligence
China	Xietongmen Project	Continental Minerals Corp.	Resource audit and preliminary engineering study
China	Song Jiagou and Sawayaerdun	Majestic Gold Corp.	Due diligence for acquisition and external funding
China	Wushan Property	Micon International Ltd.	Implementation of longhole mining methods
China	Fuwan Project	Minco Sliver Corp.	NI 43-101 feasibility study
China	Herbei Province Properties	Neo & Thompson Capital Ltd.	NI 43-101 technical review of mineral properties
China	Gaocheng and Shimentou Project	New Pacific Metals Corp.	NI 43-101 technical report
China	Yuan Mu Property	Orsa Ventures Corp.	Technical review of rare earth mill
China	Daquan Property	Shangnan Xiangbao Mining	NI 43-101 Scoping study
China	Qishiwu Property	Shangrao Huajin Mining Co. Ltd.	NI 43-101 technical report
China	Daquan Property	Wellkan Resources Ltd.	NI 43-101 technical report, scoping study
China	Jinzhou Property	Red Dragon Resources Corp.	NI 43-101 technical report

3.2 TECHNICAL REPORTING EXPERIENCE

Below we provide a sample of NI 43-101 compliant technical reports we have completed for clients worldwide.

COUNTRY	PROPERTY	CLIENT	SCOPE OF SERVICES
Italy	Sardinia	Buffalo Gold	NI 43-101 Technical Report
Canada	Seel & Ox Lake	Gold Reach Resources	NI 43-101 Technical Report
Burkina Faso	Karma	Riverstone Resources	NI 43-101 Technical Report
Mexico	Topia Mine	Great Panther Resources	NI 43-101 Technical Report

COUNTRY	PROPERTY	CLIENT	SCOPE OF SERVICES
Argentina	Diablillos	Silver Standard	NI 43-101 Technical Report
Canada	Taurus	Hawthorne Gold Corp.	NI 43-101 Technical Report
Finland	Pyhasalmi	Inmet Mining Corp.	NI 43-101 Technical Report
Canada	Thor Lake	Avalon Ventures	NI 43-101 Technical Report
Mexico	San Agustin	Geologix Explorations Inc.	NI 43-101 Technical Report
South Korea	Sandong	Oriental Minerals Inc.	NI 43-101 Technical Report
Peru	Invicta	Andean American Mining	NI 43-101 Technical Report
Portugal	Lagoa Salgada	Redcorp Ventures Ltd.	NI 43-101 Technical Report
Turkey	Tac & Corak	Mediterranean Resources	NI 43-101 Technical Report

3.3 STUDIES EXPERIENCE

Wardrop has been involved in over 50 NI 43-101 compliant studies in over 55 countries world-wide in the past three years. Below we highlight studies of various stages, from scoping to feasibility completed by Wardrop. These project examples further reiterates our ability to successfully complete projects in China and work collaboratively with local Chinese companies.

Minco Silver, Fuwan Silver Feasibility Study – Guangdong Province, Southern China

Wardrop recently completed a Feasibility Study for Minco Silver's Fuwan Silver project. The Fuwan property consists of an underground mining operation inclusive of a decline and shaft.

Through the experience of our multi-disciplinary team a complete report suitable for submission to international banking institutions was completed, followed by an NI 43-101 technical report. Our team partnered with Environmental Resources Management in China ("ERM") to complete the environmental aspects of the feasibility study which will be done to IFC ("International Finance Corporation") standards, as well as China Nerin Engineering Co., Ltd. ("NERIN") for assistance in specific areas of the engineering work.

WARDROP

Asia Resources Holdings Limited

Shangnan Xiangbao Mining Industry Co., Ltd., Daquan Vanadium Mine Scoping Study – Shaanxi Province, China

Wardrop recently completed a NI 43-101 compliant Scoping Study for Shangnan Xiangbao Mining Industry Co.'s Daquan Vanadium Mine in Shaanxi province, China. As Wardrop conducted the initial resource estimate prior to the scoping study, this provided continuity to the project resulting in project efficiencies.

Continental Minerals Corp., Resource Audit and Preliminary Engineering Study – Tibet, China

The Xietongmen porphyry copper-gold deposit has significant mineral resources and is hosted largely by volcanic rocks. As the Xietongmen deposit is open, there is excellent potential for expansion. Wardrop was retained by Continental Minerals to conduct a resource audit and collect the data necessary for a feasibility study and environmental and social impact assessments.

Wardrop also completed preliminary engineering, including a property visit and review of available infrastructure, initial and preliminary metallurgical testwork.

Wardrop has conducted engineering studies on the Xietongmen Project in Tibet on behalf of Continental Minerals Corporation, and on the Efemçukuru Project in Turkey on behalf of Eldorado Gold Corp. These companies have subsequently entered into business arrangements with companies listed on the Hong Kong Stock Exchange. Links to these related companies and the relevant transactions are provided below:

http://www.hkexnews.hk/listedco/listconews/sehk/20091002/ltn20091002011.pdf

http://www.hkexnews.hk/listedco/listconews/sehk/20091029/ltn20091029012.pdf

4.0 KEY PERSONNEL

Wardrop employs over 1,000 employees with over 400 dedicated to the mining group. Wardrop draws resources from throughout the company to best meet the client needs. This means that we have the capacity to utilize specialized team members from throughout the Mining Division, and the company as a whole, independent of location.

Below are brief biographies of some of our key people from Wardrop's front-end Mining team, that bring the understanding of completing successful projects internationally and especially in China.

4.1 GEOLOGIST

Division Manager, Geology – Jeff Wilson, P.Geo., Ph.D.

Jeff Wilson is a professional geologist with direct working knowledge of Canadian Resource corporate finance, deal structure and technical disclosure. He has wide precious and base metals project exposure, in a variety of deposit types and settings. Jeff has well-rounded business experience in corporate finance, and junior and senior mining. In addition, Jeff was manager for the geological group of TSX Venture Exchange, Canada.

Chief Geologist – Tim Maunula, P.Geo.

Tim Maunula has over 25 years of exploration, operations and consulting experience, including considerable experience at base-metal properties, giving particular expertise in the assessment of volcanogenic massive sulphide (VMS) ore bodies. He also has experience in the geological evaluation of gold, diamonds, iron and other base metals in Canada and overseas. Tim's career has progressed from an exploration geologist to a mine geologist and finally as a recognized multi-metal Qualified Person with an expertise in geostatistics. Tim's project involvement in China includes:

- **Mundoro Mining, Maoling, China** – Build a resource model to support the scoping study assessing the viability of an open-pit gold heap leach operation for a mesothermal gold project in China.
- **Minco Mining & Metals, Lijiagou, China** – Refine geological interpretation and update the MineSight geological resource for a SEDEX Pb-Zn deposit.

Senior Geologist – Greg Mosher, P.Geo.

Greg Mosher is the resident geological expert in our Beijing office. He has over 30 years of mining experience with field locations across North America, South America, China, Greenland, North Africa, and Europe. His work has included cooperative efforts with mining, metallurgical, chemical and civil engineering disciplines. Assignments have involved technical and economic evaluation of mining operations and mineral properties, feasibility analyses, ore resource estimations, data synthesis, and management of geological exploration programs including mapping, geochemical and geophysical surveying and diamond drilling. Greg's extensive project experience in China includes:

- **Various Properties, Beijing Jiuyi Investment Co., China** – Due diligence and resource estimate
- **Miaoshan, GSL Group, China** – Site Visit and due diligence
- **Qiwu & Shangtanwu Gold Project, Dexing Huajin Mininc Co. Ltd., China** – Due diligence
- **Sawayaerdun, Majestic Gold Corp., China** – NI 43-101 report for shear-hosted gold property
- **Song Jiagou, Majestic Gold Corp., China** – NI 43-101 report for shear/disseminated gold property
- **Olon Ovoot, Mongol Gazar Holding, Mongolia** – NI 43-101 report for vein-type gold property
- **Rushan Daye Mine, Goldrea Resource Corp., China** – NI 43-101 report and property evaluation for vein/shear hosted gold property
- **Xietongmen Project, Continental Resources, Tibet** – Review of resource estimate for porphyry copper gold property
- **Maying Property, Tearlach Resources, China** – Due diligence, documentation
- **Lan Ping, Cominco Engineering Services Ltd., China** – Prefeasibility study

Senior Geologist – Todd McCracken, P.Geo.

Todd McCracken is a Senior Geologist with over 18 years of experience in mineral exploration, mine operations and management. He has extensive domestic and international exposure to precious and base metal projects at all development stages. Todd has provided effective direction and leadership in resource modeling exploration, project management, deposit resource management, safety, due diligence, mine operations, and business planning. Todd's project experience in China includes:

- **Cameco, Fujian, China** – Audited database and provided geological technical reviews for acquisition of epithermal gold projects
- **Cameco, Inner Mongolia, China** – Audited database and provided geological technical reviews for acquisition of gold projects

4.2 MINING

Senior Mining Engineer – Byron Stewart, P.Eng.

Byron Stewart has 25 years of international experience in mining engineering and a specialized knowledge of rock mechanics. He has project managed feasibility studies, detailed and feasibility level mine engineering designs and cost estimates, due diligence audits, rock mechanics studies and reviews, and mining technical reviews. Byron has experience in both underground and open pit mining. He has co-authored four papers with respect to underground mining and exploration. Byron's project experience in China include:

- **Changma Diamond Mine for Winluck Asia Ltd., China** – Studies on diamond and copper-gold mines in China. Detailed studies to implement underground mining at the Changma Diamond Mine and increase production from 50,000 to 250,000 carats per year.

Senior Mining Engineer – Byron Stewart, P.Eng.

Byron Stewart has over 20 years of professional experience in the operations, design and management of underground mines. His project experience includes scoping, feasibility studies, and detailed engineering for mining properties in Canada, USA, South America, South Africa, and Asia. Iouri has performed reserve estimation, mine design, mining method evaluation, equipment selection, estimation of operation productivities and mine services requirements, preparation of development and production schedules, operating and capital costs estimation. Iouri was recently involved in the following projects in China:

- **Minco Silver Corp., Fuwan Silver Project, China** – Feasibility study for the 3,000 t/day silver/gold/zinc/lead underground mine.
- **Continental Minerals, Xietongmen Project, Tibet** – Conceptual Mining Study for open pit mine of the massive sulphide ore body.

4.3 METALLURGY/PROCESSING

VP International – Ron Hall, B.Sc. (Hons)

Ron Hall has over 25 years professional experience in the operation, management and design of metallurgical plants including base metal, diamond and gold operations. Prior to joining Wardrop, ***Ron gained extensive experience and knowledge of working in China's mining industry as the Vice President of China Clipper Gold Mines*** where he conducted technical evaluation of numerous gold properties throughout China and due diligence on various existing gold mining operations in the Jilin, Yunnan, Shaanxi and Xinjiang provinces. Other China projects Ron has been involved in includes:

- **Continental Minerals Corporation, Conceptual Scoping Study, Xietongmen Copper Project, Tibet** – Project Manager for a Conceptual Scoping Study, which included a site visit.
- **D'Long Development Group** – Axi Gold mine review in China.
- **Southwestern Gold Corp**. – Metallurgical testwork for gold project in China.

Senior Process Engineer – Jianhui (John) Huang, Ph.D., P.Eng.

John Huang has more than 20 years of experience in mineral processing for international projects and over 15 years of experience in the mining industry in China. He has particularly strong expertise in developing novel process technologies, having completed more than 60 engineering and technological development projects for the recovery of gold, silver, copper, lead, zinc and rare metals from various mineral samples and ores. John has lent his expertise to over 40 projects in various regions across China. He is fluent in Mandarin.

Processing Specialists – Xiaoquian (Jessie) Zheng, M.Eng.

Jessie Zheng has 15 years of experience in non-ferrous mining and metals engineering. Jessie is Wardrop's Office Manager of its China operations located in Beijing. Jessie has experience liaising with foreign mining companies to help them establish relationships with the Chinese government and Chinese mining companies. She has also participated in project development, supervision, processing of minerals, equipment selection, detailed design, and lab/pilot testing for numerous mining projects.

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 was, and immediately after the allotment and issuance of the Conversion Shares will be, 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$*
3,045,900,885	(as at the Latest Practicable Date)	152,295,044.25
1,305,386,093	(Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Note, assuming the Convertible Note is converted into Shares at the Conversion Price to the extent that the Vendor being interested in not more than 29.99% of the issued share capital of the Company)	65,269,304.65
4,351,286,978		217,564,348.90

All the issued share capital of the Company shall rank pari passu with each other in all respects including the rights as to dividends, voting and return of capital. The Conversion Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of the allotment.

The issued Shares are listed on the Main Board of the Stock Exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

Save as disclosed in this circular, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

DISCLOSURE OF INTERESTS

(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 under 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		**Number of Shares held**	**Percentage of the Company's existing issued share capital** *(%)*
Golden Mount Limited	*(Note)*	215,000,000	7.06
Yue Wai Keung		270,000,000	8.86

Note: Golden Mount Limited is solely owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky, an executive Director.

(ii) Interests in the underlying Shares

Name	Number of underlying Shares held		Percentage of the Company's existing issued share capital *(%)*
Empire Bridge Assets Limited *(note)*	2,934,782,608	(Assuming full conversion of the Convertible Note)	49.07
	1,305,386,093	(Assuming the Convertible Note is converted into Shares to the extent that the Vendor being interested in no more than 29.99% of the issued share capital of the Company	29.99

Note: Empire Bridge Assets Limited, being the Vendor, is wholly owned by Mr. Lam Chong San. The above interest represents the maximum number of 2,934,782,608 new Shares which may be issued upon the exercise of the conversion rights attached to the Convertible Note. As at the Latest Practicable Date, Empire Bridge Assets Limited held 60,000 shares, being 60% of the entire issued share capital of PT. Dampar Golden International (i.e. 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 2009, 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 Acquisition Agreement;

(b) the Services Agreement;

(c) the Power of Attorney;

(d) the Placing Agreements;

(e) the underwriting agreement entered into between the Company and Hani Securities (H.K.) Limited dated 6 November 2009;

(f) the underwriting agreement entered into between the Company and Luen Fat Securities Company Limited dated 4 March 2010;

(g) the acquisition agreement dated 3 December 2008 in relation to the acquisition of Tian Sheng Resources Development Limited;

(h) supplemental agreement to the acquisition agreement in (e) dated 5 January 2009;

(i) supplemental agreement to the acquisition agreement in (e) dated 2 February 2009;

(j) the sale and purchase agreement entered into between Tain Wei Limited and Mr. Ma Hing Chun dated 22 December 2009 in relation to the acquisition of Speed Up Worldwide Limited;

(k) the assignment of rights and obligations dated 13 October 2008 for Tian Sheng Resources Development to assign the entire issued share capital of Khuderbold LLC to Asia Intercept Mongolian LLC; and

(l) supplemental agreements to a share transfer agreement entered into between Bestime Systems Limited (a wholly-owned subsidiary of the Company) as transferor and Mr. Zhou Yu Kang as transferee dated 22 July 2009 and 16 July 2010 on the extension of instalment payment date in relation to a major transaction on the disposal of 30% of issued share capital of Skyyield Holdings Limited.

QUALIFICATION AND CONSENT OF EXPERTS

The followings are the qualification of the experts ("**Experts**") who have given opinion or advice contained in this circular:

Name	Qualifications
HLB Hodgson Impey Cheng	Chartered Accountants, Certified Public Accountants
Karl Thomson Financial Advisory Limited	Corporation licensed under the SFO to carry on business type 6 (advising on corporate finance) regulated activity
Norton Appraisals Limited	Independent professional valuer
Wardrop Engineering Inc.	Independent technical adviser

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 2010 (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. Leung Lai Si, Rosena who is a fellow member of both 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.

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 2009 and 2010;

(c) the accountants' report on the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the comfort letter and the unaudited pro forma financial information on the Enlarged Group, the text of which is as set out in Appendix III to this circular;

(e) the valuation report of the properties of the Enlarged Group (including the letter, summary of values and valuation certificates) prepared by Norton Appraisals Limited, the text of which is set out in Appendix IV to this circular;

(f) the valuation report on the Target Company (including the letter, summary of values and valuation certificates) prepared by Norton Appraisals Limited, the text of which is set out in Appendix V to this circular;

(g) the technical report on the Iron-Sand Deposit, the text of which is set out in Appendix VI to this circular;

(h) the letter from Karl Thomson Financial Advisory Limited regarding the discounted future estimated cash flows on the Target Company, the text of which is set out on Appendix V to this circular;

(i) the letter from HLB Hodgson Impey Cheng regarding the discounted future estimated cash flow of the Target Company, the text of which is set out on Appendix V to this circular;

(j) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(k) the written consents referred to in the section headed "Qualification and Consent of Experts" in this appendix; and

(l) 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 IS HEREBY GIVEN that a special general meeting of Asia Resources Holdings Limited (the "Company") will be held at Plaza 3, Lower Lobby, Novotel Century Hotel Hong Kong, No. 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 2 September 2010 at 11:00 a.m. (or immediately following the conclusion of the annual general meeting of the Company which has been convened to be held at 10:30 a.m. on the same date and at the same place) for the purposes of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**

(a) the acquisition agreement dated 24 October 2009 and entered into among Mighty Kingdom Investments Limited as purchaser, Empire Bridge Assets Limited as vendor (the "Vendor") and Mr. Lam Chong San as guarantor relating to the acquisition of 55,000 shares in PT. Dampar Golden International, representing 55% of its entire issued share capital (the "Agreement") at an aggregate consideration of HK$577,500,000 (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, ratified and confirmed in all respects and that all transactions contemplated under the Agreement be and are hereby approved;

(b) any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Agreement and all transactions contemplated under the Agreement;

(c) the issue of the 7-year zero coupon convertible non-redeemable note in a principal amount up to HK$546,750,000 by the Company in favour of the Vendor upon completion of the Agreement (the "Convertible Note") be and is hereby approved; and

(d) subject to and conditional upon, among others, the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Conversion Shares (as defined below), the allotment and issue of up to 2,934,782,608 new shares (the "Conversion Shares") of HK$0.1863 each in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Note be and is hereby approved, and the directors of the Company (the "Directors") be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the instrument constituting the Convertible Note; and

* *For identification purpose only*

(e) the Directors be and are hereby authorised to execute all such documents and do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Convertible Note and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Note."

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

Hong Kong, 16 August 2010

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

Notes:

1. A form of proxy to be used for the meeting is enclosed.

2. 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 were 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 share register of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the bye-laws of the Company be deemed joint holders thereof.

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 fact.

5. The instrument appointing a proxy and (if required by the board of directors (the "Board") of the Company) 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 Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the special general meeting or adjourned meeting.

6. As at the date of this notice, the board of directors of the Company comprises Mr. Chim Kim Lun, Ricky, Mr. Chan Sung Wai, Mr. Chan Hau Kong, Mr. Wong King Lam, Joseph, Mr. Danny Sun and Ms. Lee Yang as executive directors; and Mr. Yiu Fai Ming, Mr. Zhang Xianlin and Mr. Tse Yuk Kong as independent non-executive directors.