Asia Resources Holdings Limited

亞洲資源控股有限公司*

(Stock Code : 899)

INTERIM REPORT

2010/2011

* For identification purpose only

CONTENTS

HIGHLIGHTS

Unaudited loss attributable to shareholders of the Group was approximately HK$14.9 millions for the six months ended 30 September 2010, which represents a decrease in loss of approximately HK$25.3 million as compared to the corresponding period last year.

For the six months ended 30 September 2010, unaudited turnover increased to approximately HK$77.3 millions, which represents an increase of approximately 11% as compared to the corresponding period last year.

Unaudited basic and diluted loss per share of the Group was approximately 0.52 HK cents for the six months ended 30 September 2010.

The Directors do not recommend any interim dividend for the six months ended 30 September 2010.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chim Kim Lun, Ricky *(Chairman)*
Mr. Chan Sung Wai *(Deputy Chairman)*
Mr. Chan Hau Kong
Mr. Wong King Lam, Joseph
Mr. Danny Sun
(resigned on 17 September 2010)
Ms. Lee Yang
(resigned on 17 September 2010)

Non-executive Director

Mr. Tong Leung Sang
(appointed on 19 November 2010)

Independent Non-executive Directors

Mr. Yiu Fai Ming
Mr. Zhang Xianlin
Mr. Tse Yuk Kong
Mr. Lum Pak Sum
(appointed on 19 November 2010)

COMPANY SECRETARY

Ms. Leung Lai Si, Rosena

PRINCIPAL BANKERS

China Construction Bank Corporation
Agricultural Bank of China
Bank of China (Hong Kong) Limited
CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited
Wenzhou City Commercial Bank

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTRARS (IN BERMUDA)

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

REGISTRARS (IN HONG KONG)

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

WEBSITE

http://www.aplushk.com/clients/0899asiaresources/

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2010, the Group's turnover which was mainly generated from its principal business of pharmaceutical operation, amounted to approximately HK$77,273,000 (2009: approximately HK$69,618,000), representing an increase of approximately 11% as compared to the corresponding period last year. However, the gross profit of the Group for the six months ended 30 September 2010 dropped to HK$27,001,000 (2009: HK$29,310,000). Gross profit margin has decreased to approximately 35% (2009: approximately 42%) as compared to the same period last year.

For the six months ended 30 September 2010, the net loss attributable to shareholders of the Company, amounted to approximately HK$14,891,000 (2009: net loss of HK$40,161,000), was narrowed by approximately 63% as compared with the same period last year. The improvement in the group results were mainly attributable to (i) tightening the control in selling and distribution cost, which in turn lowering the cost to approximately HK$18,560,000 (2009: approximately HK$22,123,000); and (ii) the decrease in the loss on early redemption of promissory notes amounted to approximately HK$298,000 (2009: approximately HK$20,502,000).

Basic and diluted loss per share from operations was approximately 0.52 HK cents for the six months ended 30 September 2010 (six months ended 30 September 2009: basic and diluted loss per share of 2.66 HK cents).

Pharmaceutical Operation

The operating environment of the Pharmaceutical Operation for the six months under review was still full of challenges. The keen market competition has resulted in the Group's competitors slashing prices to promote sales. As a result, the gross profit margin dropped significantly from 42% to 35%. The restructuring of the production plant in Wenzhou factory is still in progress and we expect the results in 2011 can have a turnaround. The restructuring of production plants in Siping factory has found to be successful, the increase in production and sales volume have minimized the impact of price cutting in the Industry and the result is encouraging. The favourable results of the Siping factory has reduced the segment loss to HK$1,646,000 as compared to a loss of HK$2,212,000 in the same period last year.

BUSINESS REVIEW AND PROSPECT (Continued)

Pharmaceutical Operation (Continued)

With the commencement of the new production line in Wenzhou factory early 2011, the management expect the business will grow in a healthy manner and strengthen our competitive edges to survive in the competing environment.

Iron Ore Mining Operation

The Group has started diversifying its business into natural resources area in 2009 by acquiring the mining right of an iron ore mine in the Republic of Mongolia.

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; and no production has been commenced at this stage. As such, the said subsidiary recorded a loss of approximately HK$615,000 for the six months ended 30 September 2010. The loss was mainly comprised of administrative and exploration expenses.

On 24 October 2009, the Group, through entering into a conditional sale and purchase agreement with Empire Bridge Assets Limited, acquired 55% of the entire issued share capital in PT Dampar Golden International ("PT Dampar") at an aggregate consideration of HK$577,500,000. The acquisition was completed on 29 September 2010.

Upon completion, the Group's subsidiary owns 55% of the entire issued share capital of PT Dampar. The remaining 45% are owned by PT. Indo Modern Mining Sejahtera ("Indo"), an Independent Third Party, as to 40% and the Vendor, Empire Bridge Assets Limited, as to 5%. The Vendor has no business activity 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 principally engaging in mining business in Indonesia as well as the business of trading of unprocessed iron ores in small quantity. PT Dampar holds the power of attorney from Indo to exclusively manage, refine and sell the iron sand at 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW AND PROSPECT (Continued)

Iron Ore Mining Operation (Continued)

Though PT Dampar has not yet carried out any significant business transactions since the date of its acquisition, the management has already commenced to establish a working group to speed up the operations in Indonesia.

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2010 (2009: nil).

CAPITAL STRUCTURE

Shareholders' equity was increased to approximately HK$553,565,000 as at 30 September 2010 from approximately HK$438,253,000 as at 31 March 2010. As at 30 September 2010, the short term and long term interest bearing debts to shareholders' equity was approximately 20.82% (as at 31 March 2010: approximately 18.86%).

MATERIAL ACQUISITION

On 24 October 2009, the Group, through entering into a conditional sale and purchase agreement with Empire Bridge Assets Limited, acquired 55% of the entire issued share capital in PT Dampar at an aggregate consideration of HK$577,500,000. This was settled by the payment of HK$30,750,000 in cash and the issuance of HK$546,750,000 zero coupon convertible non-redeemable note at a conversion price of HK$0.1863 per listed company share. The acquisition was completed on 29 September 2010. (Please refer to note 21).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2010, the Group had total assets of approximately HK$1,250,856,000 (31 March 2010: approximately HK$694,403,000) which was financed by current liabilities of approximately HK$150,823,000 (31 March 2010: approximately HK$246,309,000), non-current liabilities of approximately HK$288,934,000 (31 March 2010: approximately HK$9,841,000), non-controlling interests of approximately HK$257,534,000 (31 March 2010: HK$nil) and shareholders' equity of HK$553,565,000 (31 March 2010: approximately HK$438,253,000).

FINANCIAL RESOURCES AND LIQUIDITY (Continued)

As at 30 September 2010, the Group's current ratio was approximately 1.85 (31 March 2010: approximately 1.20); and gearing ratio, representing the total bank borrowings and amount due to a shareholder divided by the shareholders' equity, was approximately 20.82% (31 March 2010: approximately 19.54%). The total outstanding borrowings of the Group as at 30 September 2010 were denominated in Renminbi, of which approximately 38% (31 March 2010: approximately 53%) borrowings was interest-bearing with variable rates, while interest of the remaining balances was calculated on fixed interest rates.

As at 30 September 2010, certain buildings with aggregate carrying amount of approximately HK$30,514,000 (31 March 2010: approximately HK$31,050,000), plant and machinery amounting to approximately HK$20,834,000 (31 March 2010: approximately HK$23,872,000), land use rights amount of approximately HK$6,216,000 (31 March 2010: approximately HK$6,205,000) and bank deposits amount of HK$nil (31 March 2010: approximately HK$6,826,000) had been pledged to secure banking facilities granted to the Group.

Except for the capital commitment of acquisitions of non-current assets amounting to approximately HK$12,891,000 (31 March 2010: approximately HK$2,631,000), the Group had no other material capital commitment and contingent liabilities as at 30 September 2010.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2010, the Group has approximately 786 employees in Hong Kong and the PRC. Remuneration packages are generally structured accordingly to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsored employees in different training and continuous education programs.

DIRECTORS' INTERESTS IN SECURITIES

None of the directors, chief executives or their respective associates of the Company had, as at 30 September 2010, any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV) of the Securities and Futures Ordinance ("SFO") which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

The Company's share options scheme (the "Scheme") adopted on 14 January 2002 for the purposes of the recognition of the significant contribution of and for the provisions of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors to the Group or affiliate will expire on 13 January 2012. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. Thereafter, pursuant to the Resolution passed by the shareholders in general meeting held on 26 August 2005 to renew the Limit (the "Refreshed Scheme Limit"), the Refreshed Scheme Limit is 141,149,059 shares. No options have been granted by the Company under the Scheme since its adoption.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

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

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS (Continued)

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

Name of shareholder	**Capacity**	**Number of issued ordinary shares held**	**Approximate percentage of the issued share capital of the Company** *(Note 3)*
Golden Mount Limited *(Note 1)*	Beneficial owner	215,000,000	7.06%
Mr. Chim Pui Chung *(Note 1)*	Interest in a controlled corporation	215,000,000	7.06%
Mr. Yue Wai Keung	Beneficial owner	270,000,000	8.86%
Empire Bridge Assets Limited *(Note 2)*	Beneficial owner	2,934,782,608 *(Note 3)*	96.35%
Tang Sze Wan *(Note 2)*	Interest in a controlled corporation	2,934,782,608 *(Note 3)*	96.35%

Notes:

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

2. Empire Bridge Assets Limited ("Empire Bridge"), solely owned by Ms. Tang Sze Wan, is the sole beneficial owner of HK$546,750,000 zero coupon convertible non-redeemable note due 2017 issued on 29 September 2010 by the Company at a conversion price of HK$0.1863 each (which entitle Empire Bridge to 2,934,782,608 Conversion Shares upon exercise of the conversion rights attached to such convertible notes in full).

3. Based on the number of 3,045,900,885 Ordinary Shares of the Company in issue as at 30 September 2010.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 September 2010, which would fall to be disclosed under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 September 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Group was in full compliance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period under review, except that none of the independent non-executive directors were appointed for a specific term, but they are subject to the retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-law of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2010.

By Order of the Board
Chim Kim Lun, Ricky
Chairman

Hong Kong, 26 November 2010

The Board of Directors (the "Board") of Asia Resources Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30 September 2010 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		For the six months ended 30 September	
		2010	2009
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	*4*	**77,273**	69,618
Cost of sales		**(50,272)**	(40,308)
Gross profit		**27,001**	29,310
Other revenue		**293**	1,072
Other gains		**679**	2,186
Distribution and selling expenses		**(18,560)**	(22,123)
Administrative expenses		**(15,616)**	(16,244)
Loss on early redemption of promissory notes		**(298)**	(20,502)
Finance costs	*5*	**(8,390)**	(10,554)
Loss before taxation	*6*	**(14,891)**	(36,855)
Taxation	*7*	**–**	(3,306)
Loss for the period		**(14,891)**	(40,161)
Other comprehensive income			
Exchange differences on translating foreign operations		**2,156**	147
Other comprehensive income for the period, net of tax		**2,156**	147
Total comprehensive expenses for the period		**(12,735)**	(40,014)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2010

		For the six months ended 30 September	
		2010	2009
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Loss attributable to:			
– Owners of the Company		**(14,891)**	(40,161)
– Non-controlling interests		**–**	–
		(14,891)	(40,161)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(12,735)**	(40,014)
– Non-controlling interests		**–**	–
		(12,735)	(40,014)
		HK cents	HK cents
Basic and diluted loss per share	*8*	**(0.52)**	(2.66)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Non-current assets			
Property, plant and equipment	*10*	**129,983**	126,610
Prepaid lease payments		**5,992**	5,986
Intangible assets	*11*	**572,531**	27
Mining right	*12*	**260,015**	260,015
Deposits for acquisition of property, plant and equipment		**3,962**	4,984
		972,483	397,622
Current assets			
Inventories		**27,130**	23,844
Trade and bills receivables	*13*	**58,963**	61,512
Prepayments, deposits and other receivables	*14*	**117,869**	138,069
Financial assets at fair value through profit or loss		**1,042**	577
Pledged bank deposits		**–**	6,826
Bank balances and cash		**73,369**	65,953
		278,373	296,781
Current liabilities			
Trade and bills payables	*15*	**21,178**	55,358
Other payables and accruals	*16*	**18,532**	21,185
Amount due to a shareholder		**–**	3,000
Amount due to non-controlling interests		**1,252**	–
Bank borrowings	*19*	**109,861**	72,810
Promissory notes	*17*	**–**	93,956
		150,823	246,309
Net current assets		**127,550**	50,472
Total assets less current liabilities		**1,100,033**	448,094

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2010

	Notes	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Capital and reserves			
Share capital	*18*	**152,295**	101,530
Reserves		**401,270**	336,723
Total equity attributable to owners of the Company		**553,565**	438,253
Non-controlling interests		**257,534**	–
		811,099	438,253
Non-current liabilities			
Bank borrowings	*19*	**5,394**	9,841
Convertible notes	*20*	**283,540**	–
		288,934	9,841
		1,100,033	448,094

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010 (unaudited)

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	PRC statutory reserve funds HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009 (audited)	70,572	497,831	92,926	3,286	24,735	(337,796)	280,982	–	351,554
Total comprehensive expenses for the period	–	–	–	–	147	(40,161)	(40,014)	–	(40,014)
Issue of shares	14,058	74,825	–	–	–	–	74,825	–	88,883
Expenses incurred in connection with the issue of shares	–	(1,053)	–	–	–	–	(1,053)	–	(1,053)
At 30 September 2009 (unaudited)	84,630	571,603	92,926	3,286	24,882	(377,957)	314,740	–	399,370
At 1 April 2010 (audited)	101,530	623,441	92,926	3,286	25,146	(408,076)	336,723	–	438,253
Total comprehensive expenses for the period	–	–	–	–	2,156	(14,891)	(12,735)	–	(12,735)
Acquisition of a subsidiary	–	–	–	–	–	–	–	257,534	257,534
Open offer	50,765	81,224	–	–	–	–	81,224	–	131,989
Expenses incurred in connection with the open offer	–	(3,942)	–	–	–	–	(3,942)	–	(3,942)
At 30 September 2010 (unaudited)	**152,295**	**700,723**	**92,926**	**3,286**	**27,302**	**(422,967)**	**401,270**	**257,534**	**811,099**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	For the six months ended 30th September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(26,205)**	42,804
Net cash used in investing activities	**(23,271)**	(1,160)
Net cash generated from/(used in) financing activities	**56,465**	(51,286)
Net increase/(decrease) in cash and cash equivalents	**6,989**	(9,642)
Cash and cash equivalents at the beginning of the period	**65,953**	23,958
Effect of foreign exchange rate changes	**427**	(232)
Cash and cash equivalents at the end of the period	**73,369**	14,084
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**73,369**	14,084

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

This condensed consolidated interim financial information was approved for issue on 26 November 2010. This condensed consolidated interim financial information has not been audited.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the impact of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Improvements to HKFRSs – amendments to HKFRS 5
HKFRSs (Amendments)	Improvements to HKFRSs issued 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-Time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Shared-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

HKFRS 3 (Revised) "Business Combinations" continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and Separated Financial Statements" at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions with no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

Save as described above, the new HKFRSs which are effective in this accounting period are not relevant to the Group's operation.

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendment)	Improvements to HKFRSs 2010 [1]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets [4]
HKFRS 9	Financial Instruments [5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
[2] *Effective for annual periods beginning on or after 1 July 2010*
[3] *Effective for annual periods beginning on or after 1 January 2011*
[4] *Effective for annual periods beginning on or after 1 July 2011*
[5] *Effective for annual periods beginning on or after 1 January 2013*

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Financial Instruments

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial Instruments *(Continued)*

Convertible notes (Continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity until the embedded option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

For the convertible note issued in connection to the acquisition of assets and liabilities through acquisition of subsidiary, the conversion option component is recognised at fair value and included in equity, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. For other convertible notes, the difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (capital reserve).

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (the directors of the Company) for the purpose of resource allocation and performance assessment are 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. These operations have been aggregated into a single operating segment and 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 operation in Mongolia. During the year, the Group has acquired a subsidiary in Indonesia which holds an exclusive right to manage, refine and sell the iron sand at the respective iron mine area hold by the minority interest of the subsidiary. These operations have been aggregated into a single operating segment and named "Iron ore exploration, exploitation and trading operations".

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION (Continued)

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

Six months ended 30 September

	Manufacturing and sales of pharmaceutical products		Iron ore exploration, exploitation and trading operations		Consolidation	
	2010 (unaudited) HK$'000	2009 (unaudited) HK$'000	**2010 (unaudited) HK$'000**	2009 (unaudited) HK$'000	**2010 (unaudited) HK$'000**	2009 (unaudited) HK$'000
Segment revenue:						
Sales to external customers	**77,273**	69,618	**-**	–	**77,273**	69,618
Total revenue	**77,273**	69,618	**-**	–	**77,273**	69,618
Segment results	**(1,646)**	(2,212)	**(632)**	(1,401)	**(2,278)**	(3,613)
Unallocated corporate expenses						
Other revenue					**293**	1,072
Other gains					**178**	1,957
Fair value changes on financial assets at fair value through profit or loss					**465**	229
Fair value changes on liabilities component of convertible notes at fair value through profit or loss					**36**	–
Central administration costs					**(4,897)**	(5,444)
Loss on redemption of promissory notes					**(298)**	(20,502)
Finance costs					**(8,390)**	(10,554)
Loss before taxation					**(14,891)**	(36,855)
Taxation					**-**	(3,306)
Loss for the period					**(14,891)**	(40,161)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION (Continued)

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

	Manufacturing and sales of pharmaceutical products		Iron ore exploration, exploitation and trading operations		Other corporate entities		Total segment assets	
	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Property, plant and equipment	**129,334**	126,241	**611**	333	**38**	36	**129,983**	126,610
Mining right	**-**	–	**260,015**	260,015	**-**	–	**260,015**	260,015
Intangible assets	**9**	27	**572,522**	–	**-**	–	**572,531**	27
Deposits for acquisition of property, plant and equipment	**3,962**	4,984	**-**	–	**-**	–	**3,962**	4,984
Bank balances and cash	**6,399**	15,067	**639**	105	**66,331**	50,781	**73,369**	65,953
Others	**125,238**	122,843	**1,143**	1,028	**84,615**	112,943	**210,996**	236,814
	264,942	269,162	**834,930**	261,481	**150,984**	163,760	**1,250,856**	694,403

4. REVENUE

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

5. FINANCE COSTS

	For the six months ended 30 September	
	2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
Imputed interest on promissory notes	**5,147**	7,342
Imputed interest on convertible notes	**206**	–
Interest on bank loan repayable within 5 years	**3,037**	3,212
	8,390	10,554

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

6. LOSS BEFORE TAXATION

	For the six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**10,044**	9,306
Prepaid lease payments	**112**	109
Staff cost (including directors' remuneration)	**9,848**	6,858
Fair value change on financial assets at fair value through profit or loss	**(465)**	(229)
Fair value change on liability component of convertible note at fair value through profit or loss	**(36)**	–
Total interest income on bank deposits and loans receivable	**(154)**	(1,072)

7. TAXATION

	For the six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current tax		
The PRC enterprise income tax	**–**	1,138
Deferred tax		
Promissory notes	**–**	2,168
	–	3,306

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

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at rates between 0% to 25% (2009: between 0% to 25%). Pursuant to the then relevant laws and regulations in the PRC, the qualified PRC subsidiaries were entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC income tax for the following three years. Accordingly, PRC income tax has been provided taking into account of these tax exemption and concessions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	For the six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss		
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**(14,891)**	(40,161)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**206**	–
Loss for the purpose of diluted loss per share	**(14,685)**	(40,161)
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,879,458**	1,512,247
Effect of dilutive potential ordinary share:		
Convertible notes	**32,074**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,911,532**	1,512,247

Diluted loss per share for the six months ended 30 September 2010 was the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share because the effect of the Company's outstanding convertible notes was anti-dilutive.

There was no diluting event existed during the six months ended 30 September 2009.

9. DIVIDENDS

On 26 November 2010, no interim dividend was declared by the Company for the six months ended 30 September 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has acquired property, plant and equipment of approximately HK$10,912,000 (2009: approximately HK$14,551,000) and no disposal (2009: approximately HK$39,688,000). Property, plant and equipment of approximately HK$15,000 (2009: approximately HK$296,000) were acquired through acquisition of subsidiaries during the period. (Note 21)

As at 30 September 2010, the Group has pledged certain of its buildings with an aggregate carrying amount of approximately HK$30,514,000 (at 31 March 2010: approximately HK$31,050,000) and plant and machinery amounting to approximately HK$20,834,000 (at 31 March 2010: approximately HK$23,872,000) to certain banks to secure the credit facilities grant to the Group.

11. INTANGIBLE ASSETS

	Technical know-how HK$'000 *(note i)*	**Exclusive right** HK$'000 *(note ii)*	**Total** HK$'000
Cost			
At 1 April 2010 (audited)	1,612	–	1,612
Acquired through acquisition of a subsidiary *(Note 21)*	–	572,522	572,522
Exchange adjustment	32	–	32
At 30 September 2010 (unaudited)	1,644	572,522	574,166
Amortisation			
At 1 April 2010 (audited)	1,585	–	1,585
Charge for the period	18	–	18
Exchange adjustment	32	–	32
At 30 September 2010 (unaudited)	1,635	–	1,635
Carrying amount			
At 30 September 2010 (unaudited)	**9**	**572,522**	**572,531**
At 31 March 2010 (audited)	27	–	27

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

11. INTANGIBLE ASSETS (Continued)

Notes:

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

(ii) Exclusive right represents the Deed of Statement and Power of Attorney dated 12 September 2009 and made between PT. Indo Modern Mining Sejahtera ("Indo"), the holder of the operation license in the mining area located in Lumajang, East Java, Indonesia, and PT Dampar Golden International ("PT Dampar"), pursuant to which, Indo grants exclusive rights and authorities to PT Dampar to manage and arrange all activities in the mining area on behalf of Indo.

Exclusive right is amortised on a straight-line basis over its estimated useful economic life. The useful economic life of the exclusive rights was estimated with reference to the validity of the operation license held by Indo. The operation license was valid for ten years from 21 July 2010 and the holder was entitled to apply for renewal for two times with a 10-year term each.

No amortisation was provided for the period ended 30 September 2010 as the iron ore mining operation has not yet been commenced during this period.

The directors of the Company have assessed the recoverable amount of the exclusive right, which exceeds its carrying amount and therefore no impairment loss was recognised during the period.

12. MINING RIGHT

	HK$'000
Cost	
At 1 April 2010 (audited) and 30 September 2010 (unaudited)	260,015
Amortisation	
At 1 April 2010 (audited) and 30 September 2010 (unaudited)	–
Carrying amount	
At 1 April 2010 (audited) and 30 September 2010 (unaudited)	260,015

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

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

No amortisation was provided for the period ended 30 September 2010 as commercial production of the mine has not yet commenced during the period.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

13. TRADE AND BILLS RECEIVABLES

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Trade receivables	**76,242**	73,798
Less: accumulated impairment	**(19,518)**	(19,141)
	56,724	54,657
Bills receivable discounted/endorsed with recourse	**2,239**	6,855
	58,963	61,512

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

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
0 to 90 days	**34,348**	39,498
91 to 180 days	**15,325**	11,677
181 to 365 days	**1,498**	4,121
1 to 2 years	**7,792**	6,216
	58,963	61,512

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Amount receivable on disposal of an associate *(note)*	**82,000**	82,000
Deposits paid	**1,575**	30,366
Prepayments	**7,009**	5,774
Other receivables	**27,061**	19,710
Prepaid lease payments	**224**	219
	117,869	138,069

Note: 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 from the acquirer. The acquirer is assessed to be credit worth with reference to the financial position of the acquirer.

15. TRADE AND BILLS PAYABLES

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Trade payables	**21,178**	21,228
Bills payables	**–**	34,130
	21,178	55,358

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

15. TRADE AND BILLS PAYABLES (Continued)

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

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
0 to 90 days	**14,167**	13,799
91 to 180 days	**3,266**	2,898
181 to 365 days	**2,449**	3,092
Over 365 days	**1,296**	1,439
	21,178	21,228

The average credit period on purchases is 3 months (31 March 2010: 3 months).

16. OTHER PAYABLES AND ACCRUALS

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Value-add tax payables	**1,166**	1,486
Receipts in advance	**1,045**	1,572
Accruals	**4,490**	4,376
Other payables	**11,831**	13,751
	18,532	21,185

17. PROMISSORY NOTES

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

	HK$'000
At April 2010 (audited)	93,956
Interest charged *(Note 5)*	5,147
Early redemption of promissory notes	(99,103)
At 30 September 2010 (unaudited)	**–**

Pursuant to the terms in relation to the issuance of promissory notes, the Group has the right to early redeem the promissory notes. The Group may redeem the whole or any part of the outstanding principal amount of the promissory notes at any time prior to the maturity date of the promissory notes, with given written notice to the holders of the notes not less than seven days prior to the specific date

During the period ended 30 September 2010, the Group repaid principal amount of HK$100,000,000 for HK$99,401,215 on 10 August 2010.

18. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary share of HK$0.05 each		
At 1 April 2010 (audited) and 30 September 2010 (unaudited)	10,000,000,000	500,000
Issued and fully paid:		
Ordinary share of HK$0.05 each		
At 1 April 2010 (audited)	2,030,600,590	101,530
Open offer *(note)*	1,015,300,295	50,765
At 30 September 2010 (unaudited)	**3,045,900,885**	**152,295**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL (Continued)

Note:

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.

19. BANK BORROWINGS

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Bank borrowings		
– secured	**92,053**	59,898
– unsecured	**23,202**	22,753
	115,255	82,651
The borrowings are repayable as follows:		
Within one year	**109,861**	72,810
In the second year	**5,394**	9,841
	115,255	82,651
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(109,861)**	(72,810)
Amount due for settlement after 12 months	**5,394**	9,841
Borrowing at:		
– floating rate	**44,084**	43,971
– fixed interest rate	**71,171**	38,680
	115,255	82,651

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

19. BANK BORROWINGS (Continued)

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

	At 30 September 2010 (unaudited)	At 31 March 2010 (audited)
Bank borrowings	**5.8% – 7.7%**	5.6% – 8.2%

20. CONVERTIBLE NOTES

On 29 September 2010, the Company issued convertible notes due on 28 September 2017 with a principal amount of HK$546,750,000, which is interest free. The convertible notes were issued as part of the consideration for acquisition of PT Dampar. The convertible notes contain two components, liability and equity elements, and are convertible into fully paid ordinary shares with a par value of HK$0.05 each of the Company at an initial conversion price of HK$0.1863 per share, subject to adjustment. The effective interest rate is approximately 9.84%. The convertible notes are not redeemable by the note holder or the Company.

The movement of the liability component of the convertible notes for the period is set out below:

	HK$'000 (unaudited)
At 1 April 2010	–
Initial recognition	283,370
Interest expense	206
Fair value changes	(36)
At 30 September 2010	**283,540**

20. CONVERTIBLE NOTES (Continued)

The fair value of the equity component of the convertible notes is determined by using Trinomial model. The inputs into the model were as follows:

	2010
Share price	**0.136**
Expected volatility	**83.45%**
Risk free rate	**1.552%**
Expected dividend yield	**n/a**

21. ACQUISITION OF INTANGIBLE ASSET AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 24 October 2009, the Group entered into a conditional sale and purchase agreement and supplemental agreements to acquire 55% of the entire issued share capital in PT Dampar at a consideration of HK$577,500,000. The main asset of PT Dampar is the exclusive right to manage, refine and sell the iron sand at the mining area held by a minority shareholder, PT. Indo Modern Mining Sejahtera. The consideration was satisfied by (i) HK$30,750,000 in cash and (ii) HK$546,750,000 by the Company's issue to Empire Bridge Assets Limited of convertible notes. The acquisition was completed on 29 September 2010.

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

As for the fair value of the assets and liabilities acquired, since only few of the acquired area has been explored, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, determined in accordance with HKFRS 2 "Share-based Payments" were used to account for the acquisition cost.

21. ACQUISITION OF INTANGIBLE ASSET AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

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

	HK$'000 (unaudited)
Net assets acquired:	
Property, plant and equipment	15
Intangible assets	572,522
Cash and bank balances	369
Amount due to non-controlling interests	(1,778)
Fair value of net assets	571,128
55% of the entire equity interest in PT Dampar	314,120
Satisfied by:	
Cash	30,750
Convertible notes, at fair value *(Note 20)*	283,370
	314,120
Net cash outflow arising on the acquisition:	
Cash consideration paid	(30,750)
Cash and bank balances acquired	369
	(30,381)

Notes:

(i) Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as an expense in the period.

(ii) During the period ended 30 September 2010, no turnover and loss was contributed by PT Dampar as it has not carried out any significant business transaction since the acquisition.

(iii) Had the acquisition been effected on 1 April 2010, the loss for the year would have been approximately HK$2,145,000. 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 2010, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2010.

23. CAPITAL COMMITMENTS

	At 30 September 2010 (unaudited) HK$'000	At 31 March 2010 (audited) HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**12,891**	2,631

24. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 October 2010, convertible notes with principal amount of HK$110,447,000 were converted into 592,844,873 ordinary shares at a conversion price of HK$0.1863 per share. The new shares rank pari passu with the existing shares in all respects.

25. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
Key management compensation		
Short-term benefits	**466**	160
Post employment benefits	**6**	–
	472	160
Management service income received from a related company	**139**	–
	611	160