

# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

Stock Code : 899



2007/08  
INTERIM REPORT

\*For Identification Purpose Only

## INTERIM RESULTS

The Board of Directors (the "Board") of Asia Resources Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30th September 2007 together with the comparative figures for the previous corresponding period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

		<b>For the six months ended 30th September</b>	
		<b>2007</b>	2006
		<b>(unaudited)</b>	(unaudited)
	Notes	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>81,889</b>	62,997
Cost of sales		<b>(47,663)</b>	(38,100)
Gross profit		<b>34,226</b>	24,897
Other income		<b>4,822</b>	2,359
Distribution and selling expenses		<b>(26,250)</b>	(25,822)
Administrative expenses		<b>(10,228)</b>	(11,625)
Profit (loss) from operations		<b>2,570</b>	(10,191)
Gain on disposal of investment properties		<b>2,479</b>	–
Share of loss of associates		<b>(5,871)</b>	(6,425)
Finance costs		<b>(6,230)</b>	(5,342)
Loss before tax	4	<b>(7,052)</b>	(21,958)
Income tax charge	5	<b>(92)</b>	(220)
Loss for the period		<b>(7,144)</b>	(22,178)
Attributable to:			
Equity holders of the Company		<b>(7,144)</b>	(22,178)
		<b>HK cents</b>	HK cents
Basic loss per share	6	<b>(0.51)</b>	(1.57)

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th September 2007 (unaudited) HK\$'000	31st March 2007 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		<b>160,703</b>	164,401
Prepaid lease payments		<b>13,315</b>	13,212
Investment properties		–	30,334
Interests in associates		<b>111,642</b>	114,823
Deposits for acquisition of property, plant and equipment and intangible assets		<b>104</b>	100
		<b>285,764</b>	322,870
Current assets			
Inventories		<b>20,761</b>	20,677
Trade and other receivables	7	<b>91,479</b>	86,666
Loans to an associate		<b>39,237</b>	38,354
Bank balances and cash		<b>37,422</b>	38,071
		<b>188,899</b>	183,768
Current liabilities			
Trade and other payables	8	<b>39,189</b>	42,462
Borrowings		<b>77,640</b>	82,725
		<b>116,829</b>	125,187
Net current assets		<b>72,070</b>	58,581
Total assets less current liabilities		<b>357,834</b>	381,451
Capital and reserves			
Share capital	9	<b>70,572</b>	70,572
Reserves		<b>227,221</b>	227,967
Total equity		<b>297,793</b>	298,539
Non-current liability			
Borrowings		<b>60,041</b>	82,912
		<b>357,834</b>	381,451

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2007 (unaudited)

	Share capital	Share premium	Special reserve	PRC statutory reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2006	70,572	497,831	92,926	2,116	3,589	(222,196)	444,838
Loss for the period	–	–	–	–	–	(22,178)	(22,178)
Exchange differences arising on translation to presentation currency	–	–	–	–	3,234	–	3,243
<b>At 30th September 2006</b>	<b>70,572</b>	<b>497,831</b>	<b>92,926</b>	<b>2,116</b>	<b>6,832</b>	<b>(244,374)</b>	<b>425,903</b>
At 1st April 2007	70,572	497,831	92,926	3,094	15,978	(381,862)	298,539
Loss for the period	–	–	–	–	–	(7,144)	(7,144)
Exchange differences arising on translation to presentation currency	–	–	–	–	6,398	–	6,398
<b>At 30th September 2007</b>	<b>70,572</b>	<b>497,831</b>	<b>92,926</b>	<b>3,094</b>	<b>22,376</b>	<b>(389,006)</b>	<b>297,793</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2007

	<b>For the six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>1,425</b>	4,642
Net cash from/(used in) investing activities	<b>35,134</b>	(36,225)
Net cash (used in)/from financing activities	<b>(38,174)</b>	1,970
Net decrease in cash and cash equivalents	<b>(1,615)</b>	(29,613)
Cash and cash equivalents at the beginning of the period	<b>38,071</b>	57,796
Effect of foreign exchange rate changes	<b>966</b>	(76)
Cash and cash equivalents at the end of the period	<b>37,422</b>	28,107
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>37,422</b>	28,107

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of preparation

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

## 2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties, 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 31st March 2007 except that the Group has adopted the following accounting standard for the period:

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1st May 2006, 1st June 2006, 1 November 2006, 1st January 2007 and 1st March 2007 respectively. The adoption of the new HKFRSs has no material effect on how the Group's results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

At the date of authorization of these interim financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective and the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no significant impact on the result of the Group.

## 3. Revenue and segment information

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of pharmaceutical products in the People's Republic of China (the "PRC"). Accordingly, no business segment and geographical analysis of information is presented.

#### 4. Loss before tax

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

	<b>For the six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>7,712</b>	9,227
Amortization of intangible assets	<b>–</b>	169
Prepaid lease payments	<b>199</b>	165
Staff cost (including directors' remuneration)	<b>7,278</b>	6,938
Interest income on loans to associate	<b>(1,728)</b>	(1,295)

#### 5. Income tax charge

No provision for Hong Kong Profits Tax has been made in the 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 33% (2006: between 0% to 33%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter these subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years. Accordingly, PRC income tax has been provided taking into account of these tax exemption and concessions.

#### 6. Loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to the equity holders of the Company of approximately HK\$7,144,000 (2006: HK\$22,178,000) over 1,411,440,590 (2006: 1,411,440,590) ordinary shares of the Company in issue during the year.

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

## 7. Trade and other receivables

	<b>30th September 2007 (unaudited) HK\$'000</b>	31st March 2007 (audited) HK\$'000
Trade receivables	<b>89,768</b>	82,706
Less: accumulated impairment	<b>(6,655)</b>	(6,501)
	<b>83,113</b>	76,205
Bills receivable discounted/endorsed with recourse	<b>-</b>	3,628
Other receivables	<b>7,943</b>	6,420
Prepaid lease payments	<b>423</b>	413
	<b>91,479</b>	86,666

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:

	<b>30th September 2007 (unaudited) HK\$'000</b>	31st March 2007 (audited) HK\$'000
0 to 90 days	<b>54,234</b>	55,626
91 to 180 days	<b>18,252</b>	15,562
181 to 365 days	<b>10,627</b>	8,645
	<b>83,113</b>	79,833

## 8. Trade and other payables

	<b>30th September 2007 (unaudited) HK\$'000</b>	31st March 2007 (audited) HK\$'000
Trade payables	<b>18,742</b>	23,305
Other payables	<b>20,447</b>	19,157
	<b>39,189</b>	42,462



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

	<b>30th September 2007 (unaudited) HK\$'000</b>	31st March 2007 (audited) HK\$'000
0 to 90 days	<b>9,682</b>	12,147
91 to 180 days	<b>4,104</b>	3,313
181 to 365 days	<b>2,846</b>	4,094
Over 365 days	<b>2,110</b>	3,751
	<b>18,742</b>	23,305

The average credit period on purchases is 3 months (31st March 2007: 3 months)

## 9. Share capital

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Authorized:		
10,000,000,000 ordinary shares of HK\$0.05 each	<b>500,000</b>	500,000
	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 31st March 2007 and 30th September 2007	1,411,440,590	70,572

## 10. Related party transactions

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

	<b>For the six months ended 30th September 2007 (unaudited) HK\$'000</b>	2006 (unaudited) HK\$'000
Key management compensation		
Short-term benefits	<b>1,150</b>	1,146
Post employment benefits	<b>12</b>	12
	<b>1,162</b>	1,158
Interest income on loans to an associate	<b>(1,728)</b>	(1,295)

## INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30th September 2007 (2006: Nil).

## BUSINESS REVIEW AND PROSPECT

For the six months ended 30th September 2007, the Group's turnover amounted to approximately HK\$81,889,000, an increase of 30% as compared to the corresponding period last year of approximately HK\$62,997,000. The net loss attributable to shareholders of the Company amounted to approximately HK\$7,144,000.

During the period, the loss decreased by approximately HK\$15,034,000, mainly attributable to the increase in sales volume of the Group's products, the effective cost control measures, the improvement in gross profit margin and the gain on disposal of investment properties.

During the period, the sales volume recorded an increase of approximately 32% as compared to the corresponding period last year. Despite the further drop in average selling price per unit, the lesser decline and the effective control on product cost both contributed to the growth in overall gross profit margin from approximately 40% for the corresponding period last year to approximately 42% for the period. The Group anticipated that the output and sales volume will experience a continuous growth, which will enable the Group to expand its market share in the intravenous fluid industry. Together with the enhancement of the efficiency of existing production facilities and of the production capacity of soft bag type intravenous fluid, the Group will create greater economies of scale and thus have a lower average production cost. While the volume and amount of sales jumped over 30% as compared to the corresponding period last year, the effective monitoring contributed to a slight increase in selling expenses. It is expected that there will be a further improvement in the operating conditions of the Group.

During the period, the Group disposed of the investment properties, which is an office building for leasing, in Beijing at approximately HK\$34,041,000. The disposal generated a gain, net of relevant expenses, of approximately HK\$2,479,000 during the period. For the details of the disposal, please refer to the circular dated 19th July 2007 to shareholders.

## BUSINESS REVIEW AND PROSPECT (Continued)

During the period, the share of loss of associates of the Group amounted to approximately HK\$5,871,000, mainly comprised of daily operating expenses such as management fee, property selling costs and interest expenses. In December 2007, the Group disposed of its equity interest in associates at HK\$180,000,000. After taking into account the exchange gain up to 31st March 2007, the gain on the disposal amounted to approximately HK\$70,310,000 over the carrying value of the associates as recorded in the audited consolidated accounts of the Company for the year ended 31st March 2007. The investment return of the associates over 2 years period since the Group's acquisition in October 2005 was about 50%. The directors consider that it is in the best interest of the Group to take this opportunity to realize its investment through the disposal. For the details of the disposal, please refer to the announcement dated 14th December 2007 to shareholders.

In the upcoming year, the Group will step up the efforts to monitor the production and sales of medicines in its factories, promote the development of sales network and branding, and proactively pursue new investments, so as to provide shareholders with reasonable returns.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30th September 2007, the Group had total assets of HK\$474,663,000 (31st March 2007: HK\$506,638,000) which was financed by current liabilities of HK\$116,829,000 (31st March 2007: HK\$125,187,000), long-term liability of HK\$60,041,000 (31st March 2007: HK\$82,912,000) and shareholders' equity of HK\$297,793,000 (31st March 2007: HK\$298,539,000).

The Group's current ratio as at 30th September 2007 was approximately 1.62 (31st March 2007: 1.47) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 46.23% (31st March 2007: 55.5%). The total outstanding borrowings of the Group as at 30th September 2007 were denominated in Renminbi with fixed interest rate.

As at 30th September 2007, certain property, plant and equipment, with an aggregate net book value of approximately HK\$48,590,000 (31st March 2007: HK\$50,249,000), land use rights amount of HK\$12,155,000 (31st March 2007: HK\$12,056,000) and investment properties amount of HK\$nil (31st March 2007: HK\$30,334,000), had been pledged to secure banking facilities granted to the Group.

## **FINANCIAL RESOURCES AND LIQUIDITY** (Continued)

Except for a guarantee to the extent of approximately HK\$16,408,000 to a bank to secure the credit facility granted to its associate, the Group had no other material capital commitment and contingent liabilities as at 30th September 2007. The guarantee was subsequently released in October 2007.

## **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 30th September 2007, the Group has approximately 876 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**

Save as disclosed in the substantial shareholders' interests regarding Ms. Zhang Cheng's (an executive director of the Company) and her associate's interest in the issued share capital of the Company, none of the directors, chief executives or their respective associates of the Company had, as at 30th September 2007, 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").

## **DIRECTORS' INTERESTS IN SECURITIES** (Continued)

The Company's share options scheme (the "Scheme") adopted on 14th January 2002 for the purposes of the recognition of the significant contribution of and for the provisions of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors to the Group or affiliate will expire on 13th January 2012. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. Afterwards, pursuant to the Resolution passed by the shareholders in general meeting to renew the Limit (the "Refreshed Scheme Limit"), the Refreshed Scheme Limit as at 30th September 2007 is 141,144,059. No options have been granted by the Company under the Scheme since its adoption.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

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 30th September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Wu Yong (Note 1)	Held by controlled corporation	752,000,000	53.28%
Ms. Zhang Cheng (Note 1)	Interest of spouse	752,000,000	53.28%
Guardwell Investments Limited (Note 1)	Beneficial owner	390,000,000	27.63%
Eagle Asia Investments Limited (Note 1)	Beneficial owner	232,000,000	16.44%
Eagle China Investments Limited (Note 1)	Beneficial owner	130,000,000	9.21%
Ms. Wang Jin Song (Note 2)	Held by controlled corporation	129,380,827	9.17%
Ankeen Enterprises Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Group Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Health Drugstore Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Hong Kong Neptunus Health Drugstore Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Advance Year Company Inc. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Landstar Investments Limited (Note 2)	Beneficial owner	129,380,827	9.17%
Industrial Bank Co., Ltd. Shenzhen Bagualing Sub-branch ("Industrial Bank") (Note 3)	Held by controlled corporation	129,380,827	9.17%
China Life Trustees Limited (Note 4)	Trustee	87,960,000	6.23%
China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch (Note 4)	Held by controlled corporation	87,960,000	6.23%

## SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Mr. Wu Yong beneficially owns and controls Guardwell Investments Limited ("Guardwell"), Eagle Asia Investments Limited ("Eagle Asia") and Eagle China Investments Limited ("Eagle China"). Ms. Zhang Cheng, the chairman and executive director of the Company, is the wife of Mr. Wu Yong. Accordingly, Mr. Wu Yong and Ms. Zhang Cheng are deemed to be interested in the shares through Guardwell, Eagle Asia and Eagle China.
2. Ms. Wang Jin Song ("Ms. Wang") beneficially owns 85% interests in Ankeen Enterprises Limited ("AEL"). AEL beneficially owns 41.93% interests in Shenzhen Neptunus Group Co., Ltd. ("SNGCL"). SNGCL beneficially owns 86% interests in Shenzhen Neptunus Health Drugstore Co., Ltd. ("SNHDCL"). SNHDCL beneficially owns 100% interests in Hong Kong Neptunus Health Drugstore Limited ("HKNHDL"). HKNHDL beneficially owns 100% interests in Advance Year Company Inc. ("AYCI"). AYCI beneficially owns 100% interests in Landstar Investments Limited ("LIL") which owns 129,380,827 ordinary shares of the Company.  
  
Accordingly, Ms. Wang, AEL, SNGCL, SNHDCL, HKNHDL and AYCI are deemed to be interested in the 9.17% shares held by LIL.
3. Industrial Bank is deemed to be interested in the 129,380,827 shares as LIL has pledged its shares to Industrial Bank.
4. China Life Trustees Limited is accustomed to act in accordance with directions of China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30th September 2007, 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 30th September 2007.

## DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rules 13.20 and 13.22 of the Listing Rules, the following disclosures are included in respect of financial assistance and guarantees to affiliated companies. As at 30th September 2007, the Group had provided to its affiliated companies financial assistance and guarantees amounting, in aggregated, to approximately HK\$55,645,000 which exceeded 8% of the total assets of the Company.

At 30th September 2007, the loans to an affiliated company of HK\$39,237,000 are unsecured, bearing interest at 9% per annum and renewable on an annual basis. The financial guarantee provided by the Group in respect of a loan borrowed by an affiliated company was amounted to HK\$16,408,000, which was subsequently released in October 2007.

At 30th September 2007, the summarized financial information of the affiliated companies is set out as follows:

	HK\$'000
Non-current assets	1,355
Current assets	1,134,937
Current liabilities	(969,378)
Net current assets	165,559
Total assets less current liabilities	166,914
Capital deficits	(74,332)
Non-current liabilities	241,246
	166,914

At 30th September 2007, the Group's consolidated attributable interests in these affiliated companies amounted to HK\$111,642,000. The affiliated companies were subsequently disposed of in December 2007. For the details of the disposal, please refer to the announcement dated 14th December 2007 to shareholders.



## CODE ON CORPORATE GOVERNANCE PRACTICES

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

- (i) The chairman of the Board was not able to attend the 2006/2007 annual general meeting in person due to other business engagement and commitments, but has already delegated to one of the executive directors of the Company to chair the meeting on her behalf; and
- (ii) None of the independent non-executive directors were appointed for a specific term, but they are subject to the retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-law of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th September 2007.

## AUDIT COMMITTEE

The Company's audit committee comprises the three independent non-executive directors of the Company. 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 30th September 2007.

By Order of the Board  
**Zhang Cheng**  
*Chairman*

Hong Kong, 14th December 2007