

Asia Resources Holdings Limited

亞洲資源控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code : 899)

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 30 September 2008 together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
		2008	2007
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	96,211	81,889
Cost of sales		(57,161)	(47,663)
Gross profit		39,050	34,226
Other income		3,919	4,822
Distribution and selling expenses		(24,329)	(26,250)
Administrative expenses		(12,859)	(10,228)
Gain on disposal of investment properties		-	2,479
Share of loss of associates		-	(5,871)
Finance costs		(5,838)	(6,230)
Loss before tax	4	(57)	(7,052)
Income tax expense	5	(700)	(92)
Loss for the period		(757)	(7,144)
Attributable to:			
Equity holders of the Company		(757)	(7,144)
		HK cents	HK cents
Basic loss per share	6	(0.05)	(0.51)

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Non-current assets		
Property, plant and equipment	149,987	156,171
Prepaid lease payments	10,146	10,067
Intangible assets	86	104
Deposits for acquisition of property, plant and equipment and intangible assets	1,194	-
	<u>161,413</u>	<u>166,342</u>
Current assets		
Inventories	22,593	21,433
Trade and other receivables	7 281,030	301,770
Held-for-trading investments	334	496
Pledged bank deposits	18,502	6,992
Bank balances and cash	93,515	73,247
	<u>415,974</u>	<u>403,938</u>
Current liabilities		
Trade and other payables	8 54,802	60,999
Tax liabilities	1,095	1,071
Borrowings	144,007	134,262
	<u>199,904</u>	<u>196,332</u>
Net current assets	<u>216,070</u>	<u>207,606</u>
Total assets less current liabilities	<u>377,483</u>	<u>373,948</u>
Capital and reserves		
Share capital	70,572	70,572
Reserves	306,911	303,376
Total equity	<u>377,483</u>	<u>373,948</u>

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 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 2008 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 1 January 2008 and 1 July 2008 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 is engaged in manufacture and sales of pharmaceutical products, and involves in properties investment in the People’s Republic of China (the “PRC”). Accordingly, no geographical analysis of information is presented. The revenue, results and assets of properties investment business accounted for less than 10% of the Group’s revenue and results and total assets for period ended 30 September 2007 and 2008. Therefore no business segment information is presented.

4. LOSS BEFORE TAX

	For the six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	10,724	7,712
Prepaid lease payments	149	199
Staff cost (including directors' remuneration)	9,163	7,278
Change in fair value of held-for-trading investments	162	-
Total interest income on bank deposits and loans receivable	<u>(3,876)</u>	<u>(2,356)</u>

5. INCOME TAX EXPENSE

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% (2007: between 0% to 33%). 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.

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\$757,000 (2007: HK\$7,144,000) over 1,411,440,590 (2007: 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

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Trade receivables	91,212	96,186
Less: accumulated impairment	<u>(8,392)</u>	<u>(8,089)</u>
	82,820	88,097
Bills receivable discounted/endorsed with recourse	<u>6,512</u>	<u>5,538</u>
	89,332	93,635
Amount receivable on disposal of associates (note i)	135,000	135,000
Loans receivable from a company controlled by a director (note ii)	44,756	43,840
Other loan receivable	-	19,978
Other receivables	11,676	9,025
Prepaid lease payments	<u>266</u>	<u>292</u>
	<u>281,030</u>	<u>301,770</u>

Note: The transactions related to the balances were entered prior to the appointment of Mr. Zhou Yu Kang (“Mr. Zhou”) as Chairman and Director of the Company in April 2008.

- (i) Amount receivable on disposal of associates from Mr. Zhou is due on 4 January 2009.
- (ii) Due dates for the loans receivable in the sum of RMB40 million (approximately HK\$45 million) fell in October 2008. Of the RMB40 million (approximately HK\$45 million) loans receivable, RMB26.5 million (approximately HK\$30 million) have been repaid before the prescribed due dates, but HK\$13.5 million became overdue and remained outstanding as at the date of this announcement. Mr. Zhou resigned from the above offices on 17 December 2008. The loans receivable from a company controlled by Mr. Zhou are unsecured and bear interest at fixed-rate at 12% (31 March 2008: 12%) per annum.

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:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 to 90 days	63,872	63,109
91 to 180 days	16,933	19,218
181 to 365 days	6,879	8,576
1 to 2 years	<u>1,648</u>	<u>2,732</u>
	<u>89,332</u>	<u>93,635</u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payable are trade payable of HK\$21,891,000 (31 March 2008: HK\$20,037,000) and their age analysis is as follows:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Age		
0 to 90 days	16,381	11,931
91 to 180 days	2,996	3,448
181 to 365 days	106	889
Over 365 days	2,408	3,769
Trade payables	21,891	20,037
Other payables	32,911	40,962
	<u>54,802</u>	<u>60,999</u>

The average credit period on purchases is 3 months (31 March 2008: 3 months).

INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2008, the Group's turnover amounted to approximately HK\$96,211,000, an increase of 17% as compared to the corresponding period last year of approximately HK\$81,889,000. The net loss attributable to shareholders of the Company amounted to approximately HK\$757,000. During the period, the loss decreased by approximately HK\$6,387,000, mainly attributable to the increase in sales volume of the Group's products of approximately 10%, and no longer shared any loss of associates.

The world economic turmoil during the period under review posed an impact on the economic growth in China. Despite a slow-down in economic growth, the worsening inflation caused pressure on the Group's production and sales operations. With the devotion of the sales team and a comprehensive sales network, the Group achieved a growth in overall sales during the period, with an approximately 10% increase as compared to the corresponding period last year. As a result of an effective control of production cost amid rising prices of production materials, the Group recorded a gross profit margin of 41%, representing a slight decrease of approximately 1% as compared to the same period last year. Selling expenses of the Group decreased by approximately 7% as compared to the corresponding period last year, as the Group has further enhanced its brands in China with deeper market penetration and higher reputation following years of resources allocation and the selling expenses are thus reduced. The percentage of selling expenses to revenue for the period dropped to 25% from 32% for the same period last year.

The Group disposed of its equity interests in associates in December 2007 and recognized a gain on disposal during the year ended 31 March 2008. As a result, the Company no longer shared any loss of such associate during the period while its share of loss of associates amounted to approximately HK\$5,871,000 for the corresponding period last year.

In the previous year, the Group disposed of certain significant investments, including the investment properties in Beijing and associates, which engages in real estate development, in Hangzhou. Proceeds from the disposals would strengthen the Group's financial position and investment portfolio and would allow the Group to be well-positioned to identify any quality investment projects. With the aim to bring reasonable returns to our Shareholders, the Board will actively pursue suitable investment opportunities to better its asset quality and strengthen income streams of the Group. The Group has paid an earnest money for a possible acquisition.

Golden Mount Limited, a company beneficial owned by Mr. Chim Pui Chung, acquired 400,000,000 shares of the Company at the price of HK\$0.4 per share on 14 October 2008. Upon the acquisition, Golden Mount Limited becomes a single largest shareholder of the Company, which holds approximately 28.34% of the issued share capital of the Company.

PROPOSED ACQUISITION

According to the announcement dated on 10 December 2008, the Company proposes to acquire the mining licences of a tungsten mine and an iron mine in Mongolia. The Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. An announcement in compliance with Chapter 14 of the Listing Rules is being prepared and will be published by the Company as soon as practicable.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2008 the Group had total assets of HK\$577,387,000 (31 March 2008: HK\$570,280,000) which was financed by current liabilities of HK\$199,904,000 (31 March 2008: HK\$196,332,000) and shareholder's equity of HK\$377,483,000 (31 March 2008: HK\$373,948,000).

The Group's current ratio as at 30 September 2008 was approximately 2.08 (31 March 2008: 2.06) and gearing ratio, representing the total borrowings divided by the shareholders equity was approximately 38.1% (31 March 2008: 35.9%). The total outstanding borrowings of the Group as at 30 September 2008 were denominated in Renminbi, about 44% (31 March 2008: 32%) borrowings was interest-bearing with variable rates while interest of the remaining balances was calculated on fixed interest rates.

As at 30 September 2008, certain buildings with aggregate carrying amount of approximately HK\$20,951,000 (31 March 2008: HK\$21,055,000), plant and machinery amounting to approximately HK\$26,694,000 (31 March 2008: HK\$29,085,000), land use rights amount of HK\$6,520,000 (31 March 2008: HK\$4,972,000) and bank deposits amount of approximately HK\$18,502,000 (31 March 2008: HK\$6,992,000) had been pledged to secure banking facilities granted to the Group.

Except for the capital commitment of acquisitions of non-current assets amounting to HK\$936,000, the Group had no other material capital commitment and contingent liabilities as at 30 September 2008.

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 2008, the Group has approximately 737 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.

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 2008.

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 2007/2008 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 30 September 2008.

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 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under “Latest Listed Companies Information” and the website of the Company at aplushk.com/clients/0899asiaresources/index.html. The interim report will be dispatched to the shareholders and will also be available on these websites.

By Order of the Board
Chim Kim Lun, Ricky
Chairman

Hong Kong, 22 December 2008

As at the date of this announcement, the executive directors of the Company are Mr. Chim Kim Lun, Ricky, Mr. Chan Sung Wai and Mr. Yang Jianxin, and the independent non-executive directors are Mr. Zhang Xiufu, Mr. Yiu Fai Ming and Mr. Zhang Xianlin.

** for identification purpose only*