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

*(Incorporated in Bermuda with limited lability)*
(stock code: 899)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The Board of Directors (the "Board") of Asia Resources Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010 together with the comparative figures for the previous financial year as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*For the year ended 31 March 2010*

| | Notes | **2010**<br>***HK$'000*** | 2009<br>*HK$'000* |
|---|---|---|---|
| Revenue | 3 | **135,320** | 167,718 |
| Cost of sales | | **(81,557)** | (98,883) |
| Gross profit | | **53,763** | 68,835 |
| Other revenue | 4 | **1,562** | 5,718 |
| Other gains | 5 | **5,307** | 23,185 |
| Distribution and selling expenses | | **(40,159)** | (47,895) |
| Administrative expenses | | **(41,509)** | (31,747) |
| Loss on early redemption of promissory notes | 12 | **(20,502)** | – |
| Other expenses | 6 | **(7,670)** | (27,049) |
| Finance costs | | **(21,135)** | (10,077) |
| Loss before taxation | 7 | **(70,343)** | (19,030) |
| Taxation | 8 | **63** | (2,094) |
| Loss for the year | | **(70,280)** | (21,124) |

* *For identification purpose only*

| | Notes | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | **1,439** | 571 |
| Other comprehensive income for the year, net of tax | | **1,439** | 571 |
| **Total comprehensive expenses for the year** | | **(68,841)** | (20,553) |
| Loss attributable to owners of the Company | | **(70,280)** | (21,124) |
| Total comprehensive expenses attributable to owners of the Company | | **(68,841)** | (20,553) |
| Loss per share – Basic and diluted | 9 | **(4.24) cents** | (1.50) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2010*

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **126,610** | 117,232 |
| Prepaid lease payments | | **5,986** | 6,185 |
| Intangible assets | | **27** | 65 |
| Mining right | | **260,015** | – |
| Deposits for acquisition of property, plant and equipment | | **4,984** | 10,028 |
| | | **397,622** | 133,510 |
| **Current assets** | | | |
| Inventories | | **23,844** | 25,592 |
| Trade and bills receivables | 10 | **61,512** | 64,347 |
| Prepayments, deposits and other receivables | | **138,069** | 241,093 |
| Financial assets at fair value through profit or loss | | **577** | 215 |
| Pledged bank deposits | | **6,826** | 11,338 |
| Bank balances and cash | | **65,953** | 23,958 |
| | | **296,781** | 366,543 |
| **Current liabilities** | | | |
| Trade and bills payables | 11 | **55,358** | 15,179 |
| Other payables and accruals | | **21,185** | 16,546 |
| Tax liabilities | | **–** | 2,432 |
| Amount due to a shareholder | | **3,000** | – |
| Bank borrowings | | **72,810** | 109,070 |
| Promissory notes | 12 | **93,956** | – |
| | | **246,309** | 143,227 |
| **Net current assets** | | **50,472** | 223,316 |
| **Total assets less current liabilities** | | **448,094** | 356,826 |

| | Notes | **2010** | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Capital and reserves** | | | |
| Share capital | | **101,530** | 70,572 |
| Reserves | | **336,723** | 280,982 |
| **Total equity attributable to owners of the Company** | | **438,253** | 351,554 |
| **Non-current liability** | | | |
| Bank borrowings | | **9,841** | 5,272 |
| | | **448,094** | 356,826 |

*Notes:*

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

HKFRS 8 "Operating Segments" is a disclosure standard that has resulted in a change in presentation of the segment information (see note 2).

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

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

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs – amendments to HKFRS 5[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[8] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKAS 32 (Amendment) | Classification of Right Issues[4] |
| HKAS 39 (Amendment) | Eligible Hedged Items[1] |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards[1] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-Time Adopters[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[3] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 9 | Financial Instruments[7] |
| HK(IFRIC) – Int 14 (Amendment) | HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[6] |
| HK(IFIRIC) – Int 17 | Distributions of Non-cash Assets to Owners[1] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[5] |

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

[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

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

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

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

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

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

[8] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

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

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

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

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

## 2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segments.

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

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

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

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

**Segment revenue and results**

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

**For the year ended 31 March 2010**

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

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

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

**Segment assets and liabilities**

**At 31 March 2010**

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

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

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

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

**Other segment information**

**For the year ended 31 March 2010**

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

**Geographical information**

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

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

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

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

**Information about major customers**

Included in revenue arising from sales of pharmaceutical products of approximately HK$135,320,000 (2009: approximately of HK$167,718,000) are revenues of approximately HK$67,594,000 (2009: approximately of HK$70,665,000) which arose from sales to the Group's major customers.

## 3. REVENUE

Revenue, which is stated net of value added tax and other sales taxes and returns, represents amounts invoiced to customers for sales of pharmaceutical products during the years ended 31 March 2010 and 2009.

## 4. OTHER REVENUE

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

## 5. OTHER GAINS

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

## 6. OTHER EXPENSES

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

## 7. LOSS BEFORE TAXATION

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

## 8. TAXATION

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

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

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

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

## 9. LOSS PER SHARE

**Basic and diluted loss per share**

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

## 10. TRADE AND BILLS RECEIVABLES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **73,798** | 76,298 |
| *Less*: accumulated impairment | **(19,141)** | (14,334) |
| | **54,657** | 61,964 |
| Bills receivables discounted/endorsed with recourse | **6,855** | 2,383 |
| | **61,512** | 64,347 |

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed periodically. At 31 March 2010, approximately 83% (2009: 86%) of the trade receivables are neither past due nor impaired, and are assessed to be of satisfactory credit quality with reference to the past track records.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$10,337,000 (2009: HK$8,996,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

**Aging of trade receivables which are past due but not impaired**

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

**Movement in the provision for impairment loss on trade receivables**

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

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Included in the provision for impairment loss on trade receivables are all individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

**Aging of impaired trade receivables**

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

## 11. TRADE AND BILLS PAYABLES

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

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

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

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

Bills payments were secured by certain bank deposit.

## 12. PROMISSORY NOTES

On 3 June 2009, the Group issued promissory notes in a total principal amount of HK$230,000,000 due and repayable in full on 15 months from date of issue. The promissory notes were issued for acquiring the entire interest in Tian Sheng Resources Development Limited ("Tian Sheng") and bear zero coupon rate. (Please refer Note 13). The effective interest rate is 17%.

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

*Notes:*

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

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

During the year ended 31 March 2010, the Group repaid at principal amounts of HK$10,000,000, HK$70,000,000 and HK$50,000,000 on 8 July 2009, 23 July 2009 and 30 July 2009 respectively.

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

## 13. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

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

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

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

| | *HK$'000* |
|---|---|
| **Net assets acquired** | |
| Property, plant and equipment | 296 |
| Mining right | 260,015 |
| Prepayments, deposits and other receivables | 102 |
| Bank balances and cash | 3 |
| Other payables and accruals | (1,401) |
| Amount due to a former shareholder | (66,100) |
| Fair value of net assets | 192,915 |
| Assignment of amount due to a former shareholder | 66,100 |
| | 259,015 |
| **Satisfied by** | |
| Cash | 70,000 |
| Promissory notes, at fair value *(Note 12)* | 189,015 |
| | 259,015 |
| **Net cash outflow arising on the acquisition** | |
| Cash consideration paid | (70,000) |
| Bank balances and cash acquired | 3 |
| | (69,997) |

## 14. DIVIDENDS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

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

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

## SEGMENTAL ANALYSIS

### Pharmaceutical Operation

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

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

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

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

**Iron Ore Mine Operation**

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

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

In view of the above, the Company therefore takes initiative in identifying business opportunities in new emerging industries that will broaden the revenue sources of the Group. The Directors consider the diversification of business into new areas of high growth potential will be in the best interest of the Company and its Shareholders.

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

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

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

The Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Company and its Shareholders. The Directors therefore believe that the Acquisition offers the Group with a good opportunity to diversify into the natural resources mining business that has good future prospect.

**ACQUSITION**

On 3 December 2008, 5 January 2009 and 2 February 2009, the Group has respectively entered into a conditional sale and purchase agreement and supplemental agreements (collectively referred as the "Acquisition Agreement") to acquire the entire issued share capital in Tian Sheng Resources Development Limited ("Tian Sheng"). The main asset of Tian Sheng is the entire equity interest in a Mongolia subsidiary which principally engaged in conducting mining work for iron resources in Mongolia at consideration of HK$300,000,000. Under the Acquisition Agreement, the consideration shall be settled by (i) HK$70,000,000 in cash and (ii) the issuance of HK$230,000,000 of promissory notes by the Company's wholly-owned subsidiary to Boa Fung Investments Limited. For further details, please refer to the Company's circular dated 31 March 2009. The acquisition was completed on 3 June 2009.

**PROPOSED ACQUISITION**

According to the announcement dated 3 November 2009, the Company proposes to acquire the mining licences of an iron mine in Indonesia. The Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. Relevant announcements and shareholders' approval requirements under the Listing Rules relating to the transaction will be complied with and published by the Company as soon as practicable.

According to the announcement dated 13 January 2010, the Company entered into the Acquisition Agreement with an independent third party to acquire the entire issued share capital of the Target Company on completion. The Target Company will then acquire 70% of a PRC company which is holding two mining licences and with the rights to exploit in two iron mines in Hebei province, the PRC. The Company had on 31 May 2010 announced that the Company, the Vendor and the Guarantor entered into the Termination Deed to terminate the Acquisition.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 March 2010, certain buildings with aggregate carrying amount of approximately HK$19,872,000 (2009: approximately HK$20,826,000), plant and machinery amounting to approximately HK$7,058,000 (2009: HK$11,915,000), land use rights amount of approximately HK$6,205,000 (2009: HK$6,404,000) and bank deposits amount of approximately HK$6,826,000 (2009: HK$11,338,000) had been pledged to secure banking facilities granted to the Group.

As at 31 March 2010, except for the capital commitment of acquisitions of non-currents assets amounting to HK$2,631,000, the Group had no other material capital commitment and contingent liabilities.

## DIVIDEND

The Board does not recommend the payment of final dividend for the year (2009: nil).

## EXPOSURE TO FLUCTUATION IN EXCHANGE REATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year ended 31 March 2010. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

## EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 853 employees in Hong Kong and the PRC as at 31 March 2010. Remuneration packages are generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsored employees in different training and continuous education programs.

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

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audit committee comprises all independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of interim and annual financial statement .

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") of the Listing Rules through the adoption of relevant practices and procedures during the year, except for the following:

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-low of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all directors, all directors confirmed that they had complied with the required standard set out in the Model Code.

## PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is available for reviewing on the website of Hong Kong Exchanges and Clearing Limited at www.hhex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.aplushk.com/clients/0899asiaresources. The annual report will be dispatched to the shareholders and will also be available on these websites.

By Order of the Board
**Asia Resources Holdings Limited**
**Chim Kim Lun, Ricky**
*Chairman*

Hong Kong, 21 July 2010

*As at the date of this announcement, the executive Directors of the Company are Mr. Chim Kim Lun, Ricky, Mr. Chan Sung Wai, Mr. Chan Hau Kong, Mr. Wong King Lam, Joseph, Mr. Danny Sun and Ms. Lee Yang and the independent non-executive Directors are Mr. Yiu Fai Ming, Mr. Zhang Xianlin and Mr. Tse Yuk Kong.*