

# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 899)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2007

The Board of Directors (the “Board”) of Asia Resources Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st March 2007 as follows:

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st March 2007*

		<b>2007</b>	2006
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>132,415</b>	117,954
Cost of sales		<b>(81,374)</b>	(67,438)
		<hr/>	<hr/>
Gross profit		<b>51,041</b>	50,516
Other income		<b>6,314</b>	5,925
Distribution and selling expenses		<b>(45,874)</b>	(32,233)
Administrative expenses		<b>(25,892)</b>	(20,962)
Share of loss of associates		<b>(7,035)</b>	(3,275)
Loss on fair value changes of investment properties		<b>(7,229)</b>	–
Impairment of goodwill		<b>(114,493)</b>	(174,000)
Finance costs		<b>(11,216)</b>	(9,523)
		<hr/>	<hr/>
Loss before tax	3	<b>(154,384)</b>	(183,552)
Income tax (charge) credit	4	<b>(4,304)</b>	866
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Loss for the year attributable to the equity holders		<b><u>(158,688)</u></b>	<b><u>(182,686)</u></b>
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Loss per share – basic	5	<b><u>(11.24) cents</u></b>	<b><u>(12.94) cents</u></b>

\* *for identification purpose only*

## CONSOLIDATED BALANCE SHEET

	<b>31st March 2007 HK\$'000</b>	31st March 2006 HK\$'000
Non-current assets		
Property, plant and equipment	<b>164,401</b>	172,325
Prepaid lease payments	<b>13,212</b>	9,747
Investment properties	<b>30,334</b>	–
Intangible assets	–	736
Goodwill	–	114,493
Interests in associates	<b>114,823</b>	116,725
Deposits for acquisition of property, plant and equipment and intangible assets	<b>100</b>	3,040
Deferred tax assets	–	4,240
	<b>322,870</b>	421,306
Current assets		
Inventories	<b>20,677</b>	21,344
Trade and other receivables	<b>86,666</b>	96,453
Loans to an associate	<b>38,354</b>	37,825
Bank balances and cash	<b>38,071</b>	57,796
	<b>183,768</b>	213,418
Current liabilities		
Trade and other payables	<b>42,462</b>	33,929
Tax liabilities	–	251
Borrowings	<b>82,725</b>	71,567
	<b>125,187</b>	105,747
Net current assets	<b>58,581</b>	107,671
Total assets less current liabilities	<b>381,451</b>	528,977
Capital and reserves		
Share capital	<b>70,572</b>	70,572
Reserves	<b>227,967</b>	374,266
Total equity	<b>298,539</b>	444,838
Non-current liability		
Borrowings	<b>82,912</b>	84,139
	<b>381,451</b>	528,977

Notes

**1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are either effective for accounting periods beginning on or after 1st December 2005, 1st January 2006 or 1st March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

At the balance sheet date, some of the HKFRSs were in issue but not yet effective. The Group has already commenced an assessment of the impact of these HKFRSs and adoption of these HKFRSs when they become effective is not expected to result in substantial changes to the principal accounting policies.

**2. TURNOVER AND SEGMENT INFORMATION**

In current year, 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.

**3. LOSS BEFORE TAX**

	<b>2007</b>	2006
	<b>HK\$’000</b>	HK\$’000
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>19,696</b>	16,277
Amortization of intangible assets (included in administrative expenses)	<b>565</b>	759
Staff costs (included directors’ remuneration)	<b>14,256</b>	12,488
Interest on bank loans wholly repayable within five years	<b>11,216</b>	9,523
Prepaid lease payments	<b>409</b>	320
and after crediting:		
Net rental income	<b>(1,044)</b>	–
Interest income on bank deposits	<b>(1,273)</b>	(3,418)
Interest income on loans to an associate	<b>(3,216)</b>	(1,062)
Gain on disposal of listed investments	<b>(324)</b>	(967)

#### 4. INCOME TAX CHARGE (CREDIT)

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The PRC income tax	–	1,094
Over provision of the PRC income tax in prior years	(20)	–
Deferred tax	4,324	(1,960)
	<u>4,304</u>	<u>(866)</u>

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.

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 it will be entitled to a 50% relief from PRC income tax for the following three years.

#### 5. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of approximately of HK\$158,688,000 (2006: HK\$182,686,000) over 1,411,440,590 (2006: 1,411,440,590) ordinary shares of the Company in issue during the year.

### DIVIDEND

The Board did not recommend the payment of any final dividend for the year (2006: nil).

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20th August 2007 to 24th August 2007 (both days inclusive) during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting to be held on 24th August 2007, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with Secretaries Limited, the Company's Hong Kong branch share register at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 17th August 2007.

## **BUSINESS REVIEW**

The Group recorded a turnover of HK\$132,415,000 for the year (2006: HK\$117,954,000), which represented an increase of about 12% as compared to last year. The net loss attributable to shareholders amounted to HK\$158,688,000 (2006: HK\$182,686,000), which represented a decrease of 13% as compared to last year. The increase in turnover was driven mainly by the increment in customers and market shares. The decrease in loss was primarily attributable to the decrease in the recognition of impairment of goodwill which was 34% less than previous year.

During the period under review, competitions in the intravenous fluid market were still dominated by price, and the Group adjusted the prices of products accordingly so as to enhance competitiveness. However, rising price in raw materials led to increasing production costs which in turn affected gross profit margin. Attribute to the expanded scale of production and increased in market shares, the sales volume increased about 28% as compared to the previous year which in turn leveraged the overall sales value to increase about 12%. However, due to the decrease in the average selling price, the gross profits margin of products reduced from about 43% of previous year to about 39% of this year.

During the year, distribution and selling expenses increased about HK\$13,641,000, representing an increase of about 42% as compared to the previous year. The increase of distribution and selling expenses was mainly because of increased sales efforts, strengthen market development and marketing terminals. But under the strict control of management, the growth rate of selling expenses are expected to slower than in the next year. Additionally, staff costs increased from corresponding period of the previous year due to additional expenses incurred by the integrated sales and management model.

The commercial/residential project in Hangzhou of Zhejiang Province, developed by an associate of the Group, is still under construction. Its accumulated presale proceeds amounted to approximately RMB375,405,000 as at 31st March 2007. During the year, a series of measures were taken in connection with macro-control on real estate industry to slow down the increase in real estate investment, so property purchasers and investors to take more conservative views, which caused slight slowdown to the sales progress of the properties. During this year, the associate purchased another commercial/residential project with a site area of approximately 10,600 square metres, located alongside the Qiantang River in Hangzhou, which started presales in April 2007 at an average selling price of approximately RMB12,000 per square metre. During the year, these associates has contributed a loss to the Group of approximately HK\$7,035,000 (2006: HK\$3,275,000), which primarily consisted of daily operating expenses such as management fees, selling expenses of the property and interest expenses.

During the year, the Group utilized about HK\$36,480,000 to purchase the investment properties located in Beijing, the PRC. The purchased investment properties are leased office premises with total floor area of about 1,900 square metres. At the year end, the relevant investment properties were revaluated at approximately HK\$30,334,000. The investment properties were sold at a price of about HK\$34,041,000 in May 2007, in order to reduce the impacts caused by the uncertainty in the PRC policies on real estate.

## **PROSPECTS**

During the year, the State improved the control over hospital medicine purchase management, medicine price and medicine purchase, which accelerated the reform of medical system and increased the market concentration and transparency. The Group has expanded sales networks and established reputable brands to leverage the healthy development of the intravenous fluid industry, which is directly facilitated by the reform and accelerated consolidation of the industry. After the consolidation period, in light of its extensive experience in the industry and scale of production, plus strict production control, the Group is expected to benefit from the improvement of operating environments.

Additionally, part of the commercial/residential projects located in Hangzhou of Zhejiang Province, developed by an associate of the Group, will be completed in 2008, which will bring about reasonable return to the Group.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 31st March 2007, the Group had total assets of HK\$506,638,000 (2006: HK\$634,724,000) which was financed by current liabilities of HK\$125,187,000 (2006: HK\$105,747,000), long term liability of HK\$82,912,000 (2006: HK\$84,139,000) and shareholders' equity of HK\$298,539,000 (2006: HK\$444,838,000).

The Group's current ratio as at 31st March 2007 was approximately 1.47 (2006: 2.02) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 55.5% (2006: 35.0%). The increase of the gearing ratio was mainly due to the loss incurred for the year.

The total outstanding borrowings of the Group as at 31st March 2007 were denominated in Renminbi with fixed interest rates.

As at 31st March 2007, certain property, plant and equipment, with an aggregate net book value of approximately HK\$50,249,000 (2006: HK\$56,613,000), land use rights amount of HK\$8,612,000 (2006: HK\$8,521,000) and investment properties amount of HK\$30,334,000 (2006: nil), had been pledged to secure banking facilities granted to the Group.

As at 31st March 2007, except for a guarantee to the extent of about HK\$16,408,000 to a bank to secure the loan facility granted to its associate, the Group had no other material capital commitment and contingent liabilities.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year. 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 834 employees in Hong Kong and the PRC as at 31st March 2007. 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, SALES OR REDEMPTION OF LISTED SECURITIES**

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

## **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 statements.

## **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 ended 31st March 2007, except for the following:

- (i) The chairman of the Board was not able to attend the 2006 annual general meeting in person, 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**

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.

By order of the Board

**Zhang Cheng**

*Chairman*

Hong Kong, 13th July 2007

*As at the date of this announcement, the Executive Directors of the Company are Ms. Zhang Cheng, Mr. Lin Dong and Mr. Feng Xiang Cai and the Independent Non-executive Directors are, Mr. Ngai Sau Chung, Howard, Mr. Jiang Guoan and Mr. Lin Ye.*