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 2005

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 (the "Group") for the year ended 31st March 2005 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	2	**124,191**	91,346
Cost of goods sold		**(55,067)**	(34,633)
Cost of services		–	(1,196)
Gross profit		**69,124**	55,517
Other operating income		**2,686**	4,118
Distribution and selling expenses		**(28,825)**	(21,517)
Administrative expenses		**(14,616)**	(17,906)
Profit from operations	3	**28,369**	20,212
Finance costs	4	**(4,699)**	(2,307)
(Loss) on disposal of subsidiaries		–	(227)
(Loss) on disposal of discontinuing operations		–	(2,434)
Profit before taxation		**23,670**	15,244
Taxation	5	**(3,683)**	830
Profit before minority interests		**19,987**	16,074
Minority interests		**402**	(3,641)
Net profit attributable to shareholders		**20,389**	12,433
Earnings per share	6		
– Basic		**1.61 cents**	1.26 cents
– Diluted		**1.49 cents**	1.09 cents

Notes

1. BASIS OF PREPARATION

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early applied these new HKFRSs in the financial statements for the year ended 31st March 2005 except for HKFRS 3 "Business combinations" ("HKFRS3") to business combinations for which the agreement date is on or after 1st April 2004, HKAS 36 "Impairment of assets" ("HKAS 36") and HKAS 38 "Intangible assets" ("HKAS 38") for goodwill and intangible assets acquired through business combinations for which the agreement date is on or after 1st April 2004.

The early adoption of HKFRS 3 and HKAS 36 from 1st April 2004 has resulted in the Group ceasing annual amortization of goodwill and to test for impairment annually/in the financial year in which business combination takes place at the cash generating unit level, or more frequently if there are indications that goodwill might be impaired. The transitional provisions of HKFRS 3 have required the Group to eliminate the carrying amount of the accumulated amortization at 1st April 2004 by about eight million Hong Kong dollars with a corresponding entry to the cost of goodwill.

The adoption of HKFRS 3 has resulted in the changes in the Group's accounting policies for goodwill. In accordance with the transitional provisions of HKFRS 3, the new accounting policy has been applied prospectively from 1st April 2004, the changes have had no impact on the results for prior accounting periods. Accordingly, no prior period adjustment was required. The early adoption of HKFRS 3 has resulted in an increase in the net profit for the current year by about ten million Hong Kong dollars. The application of HKAS 36 and HKAS 38 have had no material effect to the Group.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

2. TURNOVER AND SEGMENT INFORMATION

(a) Business segments

The Group's main business segments is the manufacture and sales of pharmaceutical products. In previous year, the Group also engaged in the provision of transportation related services which were discontinued in March 2004 upon disposal of the relevant subsidiaries.

Analysis of the Group's business segmental information is as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Continuing operations		
– manufacture and sales of pharmaceutical products	**124,191**	90,443
Discontinuing operations		
– transportation related services	–	903
	124,191	91,346
Results		
Continuing operations		
– manufacture and sales of pharmaceutical products	**33,444**	26,060
Discontinuing operations		
– transportation related services	–	(2,815)
	33,444	23,245
Central administrative expenses	**(5,075)**	(5,467)
Finance costs	**(4,699)**	(2,307)
(Loss) on disposal of subsidiaries	–	(227)
Profit before taxation	**23,670**	15,244
Taxation	**(3,683)**	830
Profit before minority interests	**19,987**	16,074
Minority interests	**402**	(3,641)
Net profit attributable to shareholders	**20,389**	12,433

(b) Geographical segments

The Group's operation is principally carried out in the People's Republic of China (the "PRC") including the Hong Kong Special Administrative Region ("Hong Kong"). Accordingly, no geographical analysis of information is presented.

3. PROFIT FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortization of property, plant and equipment	**9,823**	7,969
Amortization of intangible assets	**350**	–
Amortization of goodwill included in administrative expenses	–	5,682
Staff cost (included directors' remuneration)	**11,402**	8,253
and after (crediting):		
Interest income	**(1,751)**	(239)

4. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on		
– bank and other borrowings wholly repayable within five years	**4,699**	2,187
– bonds	–	111
– finance leases	–	9
	4,699	2,307

5. TAXATION

	2005 HK$'000	2004 HK$'000
PRC income tax	**3,784**	1,268
Deferred taxation	**(101)**	(2,098)
	3,683	(830)

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

Pursuant to the relevant laws and regulations in the PRC, the 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. Accordingly, PRC income tax has been provided taking into account of these tax exemption and concession.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005 HK$'000	2004 HK$'000
Earnings:		
Net profit attributable to shareholders for the purposes of basic and diluted earnings per share	**20,389**	12,433
	2005	2004
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,264,796,754**	989,317,302
Effect of dilutive potential ordinary shares		
– option	**100,245,328**	146,392,624
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,365,042,082**	1,135,709,926

DIVIDEND

The Board did not recommend the payment of any final dividend for the year (2004: HK$nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22nd August 2005 to 26th August 2005 (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 26th August 2005, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 19th August 2005.

PLACING OF SHARES AND USE OF PROCEEDS

Through a placing and subscription agreement, the Company allotted 175,000,000 shares at the price HK$2.00 per share in early June 2004. The aggregate net proceeds from the subscription amounted to approximately HK$342,000,000. The Company intends to use the net proceeds for strategic development and for general working capital purposes, including the existing business operations of the Group, acquisition or investments which the Company may pursue in the future.

During the review period and up to April 2005, the Group used approximately HK$179,500,000 of the proceeds from the subscription for investments in the pharmaceutical market in the PRC, which is in line with the Group's business development strategy. Details of the acquisitions can be referred to in the section headed "Acquisitions" below. The balance is for general working capital purposes and further investments of the Group.

CAPITAL STRUCTURE

In October 2004, the controlling shareholder of the Company, Guardwell Investments Limited ("Guardwell"), exercised in full the option granted to it with an aggregate amount of HK$40,000,000 to subscribe for 200,000,000 new shares at a subscription price of HK$0.20 per new share in accordance with the Subscription and Option Agreement dated 21st February 2003 entered into between Guardwell and the Company.

ACQUISITIONS

(a) The Group has acquired the remaining equity interest in two non-wholly owned subsidiaries, Value Brilliant Investments Limited ("Value Brilliant") and Siping Ju Neng Medicine Industry Co. Ltd ("SPJN"), for a total cash consideration of approximately HK$29,500,000. After the acquisition, the two companies have become wholly-owned subsidiaries of the Group.

(b) In July 2004, the Group acquired the entire equity interest in Zhejiang Juneng Rosi Pharmaceutical Co., Ltd. ("Rosi") through the acquisition of 100% interest in Bright Central Investments Limited for a total cash consideration of HK$120,000,000. Rosi is principally engaged in the business of manufacture and sales of intravenous fluids and the plastic and glass bottles that hold the fluid which are the Group's existing products in the PRC. Currently, Rosi has obtained approvals from the relevant authorities to manufacture nine types of medicinal intravenous fluids. The production plant is located at Yueqing, Zhejiang Province, the PRC and has an annual production capacity of 36 million bottles.

(c) In March 2005, The Group entered into an agreement to acquire the entire interest in Siping Yatai Medicine Industry Co., Ltd ("Siping Yatai") through the acquisition of 100% interest in Silver Epoch Investments Limited for a total cash consideration of HK$30,000,000. Siping Yatai is also principally engaged in the production and sale of intravenous fluids and the plastic bottles that hold the fluid which are existing products of the Group in the PRC. Details of the acquisition are set out in the circular of the Company dated 7th April 2005. The acquisition was completed in April 2005.

BUSINESS REVIEW

During the year, the Group recorded a turnover of HK$124,191,000 (2004: HK$91,346,000), which represented an increase of about 36% as compared to the previous year. The net profit attributable to shareholders amounted to HK$20,389,000 (2004: HK$12,433,000), which represented an increase of about 64% as compared to the previous year. The increase in profit and turnover were mainly contributed from the cease of amortization of goodwill that helped lower the cost and Rosi, the newly-acquired subsidiary,.

The business condition for the financial year 2005 was relatively challenging especially in the second half of the year. An overall increase in both sales volume and amount of SPJN, the original subsidiary of the Group, were recorded which was attributed to the continuous endeavor of the staff, the strengthening of marketing effort, and the adjustment in the selling prices of certain products, notwithstanding the ferocious market competition. The sales volume and amount increased by about 13% and about 6% respectively compared with last year. However, the gross profit margin decreased from about 62% in the previous year to about 58% this year because of the pricing pressure. Besides, selling and marketing expenses of SPJN increased by about 9% in this year to consolidate its market share and to support its future business growth. Furthermore, SPJN was required to pay the domestic income tax after entitlement of 50% relief for the whole year while tax payments were made for only three months in the previous year. As a result of the impact of lower gross profit, increase in selling expenses and income tax burden, the net profit margin of SPJN narrowed from about 32% in the previous year to about 22% this year and net profit after taxation declined by about 29% compared to last year. In order to raise its profitability, SPJN has already employed a proactive approach in strengthening the promotion of products with higher profit margin to overcome the constraints of almost saturated production capacity and the income tax burden. Given the keen market competition and pricing pressure, the profit level of SPJN can only be expected to maintain steady in the following year.

The newly-acquired subsidiary Rosi has made a positive contribution to both the Group's turnover and profit. The Group has appointed a number of former management personnel of SPJN to join Rosi to carry out various reforms and cost-cutting exercises after the completion of the acquisition. Those reforms included the cutting of redundant staff and maintaining an appropriate level of headcount, rationalization of the company's fixed assets, improvement in production process and enhancement of production efficiency and so on. The abovementioned measures together with Rosi's established scale of sales resulted in a turnaround from loss to profit within a short period of time. Due to the expectation of the continuing rise of Rosi's production and sales volumes, its turnover and profit will also grow accordingly.

PROSPECTS

After the several acquisitions made since 2002, the Group currently has three production plants in the PRC with total production capacity of about 96,000,000 bottles per year. Such scale of operation enables the Group secure a stable source of income. One of the important tasks of the Group in the following year is to integrate the production mode, sales network, sourcing and manufacturing of the three production plants so as to achieve synergies in operation. To improve the profitability of the pharmaceutical business, the Group has promoted the sale of products with higher profit margins, develop new products, as well as widen customer base. In addition, the acquisitions of Rosi and Siping Yatai will expand the income base, product mix and market share of the Group. It is believed that the pharmaceutical business of the Group will further grow in the next year.

Following the completion of placing of new shares in June 2004 and the exercise of share option in October 2004, the proceeds has further strengthened the sound financial position of the Group. Apart from the development of the existing pharmaceutical business, the Group is now capable of making suitable acquisitions when opportunities arise. Therefore, the Group will actively identify and expect to include any other profitable projects for development in the near future and bring forth better return to the shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2005, the Group had total assets of HK$742,024,000 (2004: HK$294,058,000) which was financed by current liabilities of HK$99,239,000 (2004: HK$57,955,000), long term liability of HK$18,850,000 (2004: HK$nil), shareholders' equity of HK$623,935,000 (2004: HK$220,826,000) and the minority interests of HK$ nil (2004: HK$15,277,000).

The Group's current ratio as at 31st March 2005 was approximately 3.85 (2004: 1.84) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 14.8% (2004: 17.1%). The significant rise in current ratio and the lowering in gearing ratio are attributed to the proceeds from the placing of shares in June 2004 and the exercise of share option in October 2004.

The total outstanding borrowings of the Group as at 31st March 2005 were denominated in Renminbi with fixed interest rate.

As at 31st March 2005, certain property, plant and equipment, with an aggregate net book value of approximately HK$47,516,000 (2004: HK$16,125,000), had been pledged to secure banking facilities granted to the Group.

Except for the capital commitment of acquisitions of new subsidiaries and non-current assets amounting to HK$27,600,000 and HK$5,750,000 respectively, the Group and the Company had no other material capital commitment and contingent liabilities as at 31st March 2005.

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 820 employees in Hong Kong and the PRC as at 31st March 2005. 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.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has compliance throughout the year ended 31st March 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was still in force prior to 1st January 2005 and remains applicable to the year under review, save that the independent non-executive directors of the Company were not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

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.

DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detail results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Zhang Cheng
Chairman

Hong Kong, 15th July 2005

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. Qiu Yiyong, Ms. Jane Jin and Mr.Yin Dakui.

* *for identification purpose only*