

## CHAIRMAN'S STATEMENT, MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors (the "Board") of Asia resources Holdings Limited (the "Company"), I present to our shareholders the report and the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March, 2003.

Financial year ended 31st March, 2003 was a year of repositioning for the Group's business. To reflect the more diversified business nature of the Group, the Company has been renamed as Asia Resources Holdings Limited "亞洲資源控股有限公司\*" following a special resolution passed by the shareholders of the Company on 3rd September, 2002.

### RESULTS

The Group's turnover for the year ended 31st March, 2003 amounted to approximately HK\$69,586,000, compared with HK\$28,777,000 for the year ended 31st March, 2002. The Group's loss attributable to shareholders was approximately HK\$60,700,000, compared with the loss of HK\$136,369,000 for the year ended 31st March, 2002. The loss per share for the year ended 31st March, 2003 was HK\$0.49, compared with the loss per share for the year ended 31st March, 2002 was HK\$2.26.

In light of the Group's result, the Board did not recommend the payment of any dividend for the year (2002: HK\$ Nil).

### MAJOR ACQUISITION AND SHARE CAPITAL STRUCTURE

In July 2002, the shareholders approved the acquisition of an indirect controlling interest in Siping Ju Neng Medicine Industry Co. Ltd. ("SPJN") through taking over 51% equity interest in Value Brilliant Investments Limited ("Value Brilliant") for a consideration of HK\$106,500,000. The consideration was satisfied partially by the issue of bonds with an aggregate principal amount of HK\$61,175,000 and the rest was satisfied through the issue of 1,225,000,000 shares ("Consideration Shares") of the Company at a price of HK\$0.037 each. The Consideration Shares represented 29.93% of the enlarged issued share capital as at the date of acquisition.

### FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 31st March, 2003, the Group had a total assets of HK\$205,836,000 (2002: HK\$105,300,000) which was financed by current liabilities of HK\$129,513,000 (2002: HK\$55,667,000), long term liabilities of HK\$ Nil (2002: HK\$4,708,000), shareholders' equity of HK\$29,532,000 (2002: HK\$44,925,000) and minority interest of HK\$46,791,000 (2002: HK\$ Nil).

\* For identification purpose only

### FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE (continued)

The Group's current ratio as at 31st March, 2003 was approximately 0.43 (2002: 0.52) and gearing ratio, representing the total borrowing divided by the shareholders' equity was approximately 351.5% (2002: 83.7%). The rise in gearing ratio was due to the issue of bonds, which amounted to HK\$61,175,000, as part of the consideration for acquiring Value Brilliant and the decline in shareholders' equity as a result of net loss for the year.

Among the total outstanding borrowings of the Group as at 31st March, 2003, approximately 4% was denominated in US Dollars, approximately 15% in Renminbi and approximately 81% in Hong Kong Dollars. The borrowing denominated in Renminbi bears fixed interest rate.

As at 31st March, 2003, certain property, plant and equipment, with an aggregate net book value of HK\$5,700,000 (2002: HK\$50,000,000), have been pledged to secure credit facilities.

As at 31st March, 2003, the Company issued corporate guarantees to the extent of HK\$31,000,000 (2002: HK\$31,000,000) to secure the credit facilities granted to the subsidiaries of the Company. Such facilities were utilized to the extent of approximately HK\$3,912,000 as at 31st March, 2003 (2002: HK\$13,527,000).

Save as disclosed above and the acquisition of a piece of land by SPJN after year ended of about RMB2.3 million, the Group and the Company had no other material contingent liabilities and capital commitment as at 31st March, 2003.

### EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

### SIGNIFICANT EVENTS IN THE NEW FISCAL YEAR

The Capital Reorganization ("Capital Reorganization") was approved by shareholders on 7th April, 2003. The proposal was made in February 2003, when the Company suggested a Capital Reduction, Share Subdivision, Share Premium Cancellation and the reduction of authorized share capital of the Company. Details of Capital Reorganization are set out in the circular dated 14th March, 2003.

### SIGNIFICANT EVENTS IN THE NEW FISCAL YEAR (continued)

In April 2003, the Company entered into a subscription and share option agreement with an investor. Under the agreement, the Company allotted 400,000,000 shares and issued 500,000,000 shares through two subscriptions. The first and the second subscription were completed on 14th April, 2003 and 25th April, 2003, respectively. A placing agreement was also completed simultaneously with the second subscription to restore the public float of the Company. The aggregated gross proceeds amounted to HK\$180,000,000, and were used to reduce the Group's debt and for investment in the pharmaceutical market in China, which is in line with the Company's business development strategy.

The financial position of the Group has been significant improved, with over 75% of the total borrowing of the Group as at the year ended date was repaid from the proceeds of the two subscriptions.

The Group also entered into an acquisition agreement (the "Acquisition Agreement") on 2nd May, 2003 with the shareholders of Value Brilliant. The agreement allowed the Group to purchase an additional 41% equity interest in Value Brilliant for a consideration of HK\$84,800,000, which was satisfied in cash. The acquisition was approved at the special general meeting held on 9th June, 2003.

### BUSINESS REVIEW

During the year, the Group recorded a turnover of approximately HK\$69,586,000 (2002: HK\$28,777,000), which represented an increase of 142% as compared to last year. The net loss attributable to shareholders for the year amounted to approximately HK\$60,700,000 (2002: 136,369,000), representing a decrease of 55% as compared to the previous year. The increase in turnover and the decline in net loss attributable to shareholders was a result of the Group's new business strategy and cost cutting measures, particularly with the closure of loss-making operations.

As the poor market condition continued to affect the Group's travel-related and catering service business, the related subsidiaries were disposed in July 2002 realizing an aggregate profit of approximately HK\$2,116,000. In the past year, the business of charter hiring of vessels remained a difficult one, thus the Group decided to scale down the business and to diversify its investment in other businesses with higher growth potential.

### BUSINESS REVIEW (continued)

The newly acquired subsidiary, SPJN, mainly engages in the manufacturing and sales of intravenous fluid and the plastic bottle that hold the fluid in China. Intravenous fluid is a form of sterile chemical solution like glucose and starch supplement for intravenous injections. Currently, SPJN has obtained approvals from the Pharmaceutical Supervision and Administration of Jilin Province, the PRC to manufacture 11 types of medicinal intravenous fluids. The production plant is located at Siping, Jilin Province, the PRC and has a production capacity of 27 million bottles per annum.

As stated in our Business Review last year, the Board believed the pharmaceutical market to be one of the fastest growing industries with highest potential in China. This acquisition will not only enable the Group to capture these opportunities, but also to expand the Group's revenue base, taking into account as SPJN's established business and prominent track record. During the year, over 85% of the Group's turnover was contributed by SPJN which also brought in profit after deducting the amount shared by the minority interest to the Group of approximately HK\$9,700,000, making it a significant contributor to the Group's income. After deducting the expense on amortization of goodwill and interest on bonds, the net annualized return from the investment of SPJN's acquisition up to the year end was approximately 8%. The gross profit margin and net profit margin of SPJN for the period was approximately 65% and 32% respectively.

### PROSPECT

During the past year, the Group has disposed a few loss-making operations including the travel-related and the catering service businesses. Meanwhile the Company is actively in search of business opportunities, particularly in the pharmaceutical industry in China, to expand its revenue stream. In line with this strategy, the Board decided to acquire an additional 41% interests in Value Brilliant in May 2003 to capture the growing opportunities in the China pharmaceutical market and to strengthen the Group's source of income.

With an improved financial position and a stronger income base, the Board is optimistic about the business growth in the upcoming year. The Group will strive to resume profit growth and to leverage on the business opportunities available to maximize returns for its shareholders.

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### EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 600 employees in Hong Kong and PRC as at 31st March, 2003. 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.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation for the valuable efforts from our directors, including those who served the Board before July 2003, the management and employees for their contributions to the Group. I would also like to thank our business associates and investors for their continued support over the years.

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

Hong Kong, 18th July, 2003