

## INTERIM RESULTS

The Board of Directors of Asia Resources Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30th September 2003 together with the comparative figures for the previous corresponding period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2003

	Notes	For the six months ended 30th September	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover	3	39,600	26,712
Cost of goods sold		(15,154)	(5,515)
Cost of services rendered		(800)	(6,990)
Gross profit		23,646	14,207
Interest income		221	85
Other revenue		507	1,575
Selling and distribution cost		(18,015)	(2,317)
Administrative expenses		(8,532)	(15,250)
Loss from operations	4	(2,173)	(1,700)
Finance costs		(1,258)	(1,231)
Gain on disposal of discontinued operations		-	2,116
Loss before taxation		(3,431)	(815)
Taxation	5	-	-
Loss before minority interests		(3,431)	(815)
Minority interests		(266)	(5,398)
Net loss attributed to shareholders		(3,697)	(6,213)
Loss per share	6	(0.39 cents)	(5.68 cents)

## CONDENSED CONSOLIDATED BALANCE SHEET

		30th September 2003 (unaudited) HK\$'000	31st March 2003 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Investment properties	7	5,500	5,500
Property, plant and equipment		71,900	73,052
Deposits made on acquisition of property, plant and equipment		43	2,015
Goodwill		116,867	69,856
		<b>194,310</b>	150,423
<b>Current assets</b>			
Inventories		12,618	10,796
Trade and other receivables	8	53,196	27,840
Cash and bank balances		12,642	16,777
		<b>78,456</b>	55,413
<b>Current liabilities</b>			
Trade and other payables	9	24,368	25,324
Obligations under finance lease due within one year		–	994
Taxation		380	380
Bonds		–	61,175
Other loans due within one year-secured		–	3,912
Other short-term loans		3,105	21,705
Short-term bank loans		28,275	16,023
		<b>56,128</b>	129,513
Net current assets/(liabilities)		<b>22,328</b>	(74,100)
Total assets less current liabilities		<b>216,638</b>	76,323
Minority interests		11,902	46,791
Net assets		<b>204,736</b>	29,532
<b>Capital and reserve</b>			
Share capital	10	51,822	40,932
Reserve		152,914	(11,400)
Shareholders' funds		<b>204,736</b>	29,532

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th September 2003

	Share capital HK\$'000	Share premium HK\$'000	Assets revaluation reserve HK\$'000	PRC statutory reserve HK\$'000	Special reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
At 1st April 2003	40,932	48,934	-	926	92,926	(154,186)	29,532
Effect of capital reduction	(34,110)	(48,934)	-	-	-	83,044	-
Issued of shares	45,000	135,000	-	-	-	-	180,000
Expenses incurred in connection with the issue of shares	-	(1,099)	-	-	-	-	(1,099)
Net loss attributed to shareholders	-	-	-	-	-	(3,697)	(3,697)
<b>At 30th September 2003</b>	<b>51,822</b>	<b>133,901</b>	<b>-</b>	<b>926</b>	<b>92,926</b>	<b>(74,839)</b>	<b>204,736</b>
At 1st April 2002	28,682	15,859	18	-	92,926	(92,560)	44,925
Allotment of shares for acquiring a subsidiary	12,250	33,075	-	-	-	-	45,325
Realized on disposal of subsidiaries	-	-	(18)	-	-	-	(18)
Net loss attributed to shareholders	-	-	-	-	-	(6,213)	(6,213)
<b>At 30th September 2002</b>	<b>40,932</b>	<b>48,934</b>	<b>-</b>	<b>-</b>	<b>92,926</b>	<b>(98,773)</b>	<b>84,019</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2003

	For the six months ended 30th September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Net cash from/(used in) operating activities	<b>(24,483)</b>	(20,051)
Net cash from/(used in) investing activities	<b>(84,874)</b>	575
Net cash from/(used in) financing	<b>105,222</b>	(7,278)
Decrease in cash and cash equivalents	<b>(4,135)</b>	(26,754)
Cash and cash equivalents at beginning of the period	<b>16,777</b>	37,081
Cash and cash equivalents at end of the period	<b>12,642</b>	10,327
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>12,642</b>	10,327

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th September 2003*

### 1. BASIS OF PREPARATION

The interim results have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31st March 2003.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and vessels.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31st March 2003 except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (revised) had no significant effect on the current or prior year's interim result. Accordingly, no prior period adjustment was required.

### 3. TURNOVER AND SEGMENT INFORMATION

#### (a) Business segments

The Group's main business segments comprise the manufacture and sales of pharmaceutical products and the provision of transportation related services. These are the basis on which the Group reports its primary segment information.

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

	<b>For the six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Continuing operations		
– manufacture and sales of pharmaceutical products	<b>39,159</b>	18,809
– transportation related services	<b>441</b>	435
	<b>39,600</b>	19,244
Discontinued operations		
– travel related services	–	4,063
– operation of a restaurant	–	3,405
	<b>39,600</b>	26,712
Results		
Continuing operations		
– manufacture and sales of pharmaceutical products	<b>2,103</b>	9,448
– transportation related services	<b>(792)</b>	(5,927)
	<b>1,311</b>	3,521
Discontinued operations		
– travel related services	–	(269)
– operation of a restaurant	–	(693)
	<b>1,311</b>	2,559
Central administrative expenses	<b>(3,484)</b>	(4,259)
Loss from operations	<b>(2,173)</b>	(1,700)
Finance costs	<b>(1,258)</b>	(1,231)
Gain on disposal of discontinued operations	–	2,116
Loss before taxation	<b>(3,431)</b>	(815)
Taxation	–	–
Loss before minority interests	<b>(3,431)</b>	(815)
Minority interests	<b>(266)</b>	(5,398)
Net loss attributable to shareholders	<b>(3,697)</b>	(6,213)

**(b) Geographical segments**

The Group's operations are principally carried out in the Mainland China (the "PRC") and Hong Kong. The following table provides an analysis of the Group's geographical segment information:

	<b>Turnover</b>	
	<b>For the six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PRC	<b>39,600</b>	19,244
Hong Kong	-	7,468
	<b>39,600</b>	<b>26,712</b>

**4. LOSS FROM OPERATIONS**

Loss from operations has been arrived at after charging:

	<b>For the six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation and amortization of property, plant and equipment	<b>3,461</b>	4,059
Amortization of goodwill	<b>2,634</b>	602

**5. TAXATION**

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

No provision for income tax in the Mainland China (the "PRC") has been made since the subsidiary operating in the PRC was granted income tax exemption for the period in accordance with the relevant PRC's tax rules and regulation.

**6. LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the period of HK\$3,697,000 (2002: HK\$6,213,000) and the weighted average number of 942,451,519 ordinary shares (2002: 109,441,500 ordinary shares) in issue during the period after taking into account the effect of share consolidation on the basis that every 30 issued and unissued shares was consolidated into one share on 8th April 2003.

Diluted loss per share for the six months ended 30th September 2003 and 2002 have not been shown as the effect of the dilutive potential ordinary shares for these periods in anti-dilutive.

## 7. INVESTMENT PROPERTIES

The directors are of the opinion that the market value of the Group's investment properties as at 30th September 2003 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognized in respect of the Group's investment properties in the period.

## 8. TRADE AND OTHER RECEIVABLES

	<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
Trade receivables	<b>37,068</b>	25,398
Other receivables	<b>16,128</b>	2,442
	<b>53,196</b>	27,840

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 180 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the respective reporting date:

	<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
Age		
0 to 90 days	<b>35,802</b>	24,234
91 to 180 days	<b>3,098</b>	2,881
181 to 365 days	<b>1,113</b>	1,157
Over 365 days	-	71
Less: Allowance for bad and doubtful debts	<b>(2,945)</b>	(2,945)
	<b>37,068</b>	25,398



9. TRADE AND OTHER PAYABLES

	<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
Trade payables	8,659	7,410
Other payables	15,709	17,914
	<b>24,368</b>	<b>25,324</b>

The following is an aged analysis of trade payable at the reporting date:

Age	<b>30th September 2003 (unaudited) HK\$'000</b>	31st March 2003 (audited) HK\$'000
0 to 90 days	2,060	3,575
91 to 180 days	2,533	2,360
181 to 365 days	2,539	9
Over 365 days	1,527	1,466
	<b>8,659</b>	<b>7,410</b>

## 10. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorized:		
At 1st April 2003, ordinary shares of HK\$0.01 each	100,000,000,000	1,000,000
At 30th September 2003, after capital reorganization and reduction, ordinary shares of HK\$0.05 each:		
	10,000,000,000	500,000
Issued and fully paid:		
At 1st April 2003, ordinary shares of HK\$0.01 each	4,093,217,701	40,932
Share consolidation on the basis that every 30 issued shares of HK\$0.01 each consolidated into one consolidated share of HK\$0.30 each	(3,956,777,111)	-
Reduction of capital from HK\$0.30 each to HK\$0.05 each	-	(34,110)
Issued of shares	900,000,000	45,000
At 30th September 2003, ordinary shares of HK\$0.05 each		
	1,036,440,590	51,822

## 11. MAJOR ACQUISITION

During the period, the Group purchased an additional 41% equity interest in a non-wholly owned subsidiary for a cash consideration of HK\$84,800,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK\$49,645,000.

## 12. INTERIM DIVIDEND

The Board of directors has resolved not to declare an interim dividend for the six months ended 30th September 2003 (2002: Nil).

## SIGNIFICANT EVENTS IN THE NEW FISCAL YEAR

### (I) Capital Reorganization

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 Consolidation and 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.

### (II) Issue of shares and used of proceed

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 approximately 44% were used to reduce the Group's debt and approximately 47% for investment in the pharmaceutical market in China, which is in line with the Company's business development strategy and the remaining is temporary for general working capital purpose.




### (III) Major Acquisition

The Group entered into an acquisition agreement (the “Acquisition Agreement”) on 2nd May 2003 with the shareholders of a non-wholly owned subsidiary Value Brilliant Investments Limited (“Value Brilliant”). The principal asset of Value Brilliant is its 95% equity interest in Siping Ju Neng Medicine Industry Co. Ltd. which is principally engaged in the manufacture and sale of intravenous fluids and plastic bottle for containing intravenous fluids. 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 AND PROSPECT

During the period under review, the Group recorded a turnover of approximately HK\$39,600,000 representing an increment of approximately 48% compared with the previous corresponding period. The loss attributable to shareholders reduced by approximately 40% as compared to the same period of the previous year due mainly to the reduction in administrative expenses, the decrease in the loss incurred by the transportation related services by approximately 87% as compared to the same period of the previous year and the increase in the share of profit derived from the business of manufacturing and sale of pharmaceuticals from 48.45% to 87.40%.

Due to the outbreak of Severe Acute Respiratory Syndrome (“SARS”), the majority patients were not willing to undergo hospitalization during this period and the demand for the Group’s intravenous fluid therefore decreased, imposing pressure on selling prices. However, with the continuous endeavor of the staff, increase in marketing effort and adjustment of the price of certain products, an overall increase in both sales volume and value of intravenous fluid were recorded. Attributed to higher productivity and lower cost of certain materials, the gross profit margin of intravenous fluid was able to remain at the same level as the corresponding period of the previous year. With an increase in sales expenses, both net profit margin and net profit marked a decrease as compared to the same period of the previous year.

With the spread of SARS being under control, it is expected that the demand for the Group’s products will resume to normal level. Moreover, the Group has taken measures on promoting the sale of products with higher profit margins and controlling the increase in sales expenses, it is believed that the results of intravenous fluid will improve in the second half of the year.

Besides, all subsidiaries which own the Group’s vessels were disposed in October 2003.

Given our sound financial position and a stronger income base, the Board is optimistic about the business growth in the second half of the year. As regards the Group's development prospects, the Directors believe that in the fast growing PRC pharmaceutical market, the service features and profitability of the Group will be enhanced through the combination of mergers and acquisitions, technical modification as well as introducing and development of new products. Acquisitions of other high standard intravenous fluid manufacturers would enhance the Group's production capacity and product variety, while technical modification on the existing subsidiaries of the Group could also increase its production capacity. On the other hand, introducing and development of new products of intravenous fluid would increase the competitiveness of and the value added to its products of intravenous fluid. On-going efforts of the Directors in respect of the above developments are directed towards a favourable return for its shareholders.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30th September 2003, the Group had total assets of HK\$272,766,000 (31st March 2003: HK\$205,836,000) which was financed by current liabilities of HK\$56,128,000 (31st March 2003: HK\$129,513,000), shareholder's equity of HK\$204,736,000 (31st March 2003: HK\$29,532,000) and the minority interests of HK\$11,902,000 (31st March 2003: HK\$46,791,000).

Among the total outstanding borrowings of the Group as at 30th September 2003, approximately 10% was denominated in Hong Kong Dollars and approximately 90% in Renminbi. The borrowing denominated in Renminbi bears fixed interest rate.

The Group's current ratio as at 30th September 2003 was approximately 1.40 (31st March 2003:0.43) and gearing ratio, representing the total borrowing divided by the shareholders equity was approximately 15.33% (31st March 2003: 351.55%). The rise in current ratio and the significant decrease in gearing ratio are the result of repayment with over 75% of the total borrowing of the Group as at 31st March 2003 from the proceeds of two subscriptions.

As at 30th September 2003, the Group had pledged certain of its property, plant and equipment with an aggregate net book value of HK\$17,644,000 (31st March 2003: HK\$5,700,000) to secure the credit facilities granted to the Group.

The Group had not any material contingent liabilities or capital commitments as at 30th September 2003.

## 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 did not employ any financial instruments for hedging purposes.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 2003, the interests and short positions of the directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities transaction by Directors of Listed Companies were as follows:

### (a) Long position in shares of the Company

Name of Director	Capacity	Number of shares held	Percentage of issued share capital of the Company
Ms Zhang Cheng	Corporate <i>(Note)</i>	652,000,000	62.91%

*Note:* Ms Zhang Cheng beneficially owns and controls Guardwell Investments Limited. Accordingly, Ms Zhang Cheng is deemed to be interested in the shares held by Guardwell Investments Limited.

### (b) Long positions in underlying shares of the Company

- (i) Option granted on 25th April 2003 pursuant to a Subscription and Option Agreement dated 21st February 2003

Name of director	Capacity	Number of shares to be subscribed under the option granted
Ms Zhang Cheng	Corporate <i>(Note)</i>	200,000,000

*Note:* Ms Zhang Cheng beneficially owns and controls Guardwell Investments Limited and is deemed to be interested in the option for subscribing shares being granted to Guardwell Investments Limited. The exercise period of the option is from 25th April 2003 to 24th October 2004 and the subscription price per share is HK\$0.2.

- (ii) Share option scheme

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 14th January 2002, the share option scheme adopted by the Company on 30th September 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. All share options granted under the Old Scheme was cancelled in April 2002. No options have been granted by the Company under the New Scheme since its adoption.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30th September 2003, any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV) of the SFO which were recorded in the register required to be kept by the Company under Section 352 of the SFO.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE**

Save as disclosed above in respect of the directors' interest in securities, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18, had been granted any right to subscribe for securities of the Company or had exercised any such rights during the period.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30th September 2003, other than the interests disclosed above in respect of the directors' interest in securities, the Company was not notified of any interests in more than 5% of the issued share capital of the Company as recorded in the register maintained under section 336 of the SFO, and no person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under section 336 of the SFO.

## **STAFF EMPLOYMENT**

As at 30th September 2003, the Group had approximately 640 employees. Remuneration packages are generally structured by reference to market terms and individual qualifications. Besides providing staff with medical benefits, mandatory provident fund and statutory retirement benefits, the Group also encourages continual staff development by sponsoring different types of training and further studying 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 30th September 2003.




## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonable indicate that the Company is not, or was not during the six months ended 30th September 2003 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the bye-laws of the Company.

## AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements of the Company for the six months ended 30th September 2003.

By Order of the Board

**Zhang Cheng**

*Chairman*

Hong Kong, 5th December 2003