

Chairman's Statement, Management Discussion and Analysis

On behalf of the Board of Directors (the "Board") of Asia resources Holdings Limited (the "Company"), I am pleased to 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, 2004.

RESULTS

The Group's turnover for the year ended 31st March, 2004 amounted to approximately HK\$91,346,000, compared with HK\$69,586,000 for the year ended 31st March, 2003. The Group's profit attributable to shareholders was approximately HK\$12,433,000, compared with the loss of HK\$60,700,000 for the year ended 31st March, 2003. The earnings per share for the year ended 31st March, 2004 was HK\$1.26 cents, compared with the loss per share for the year ended 31st March, 2003 was HK\$49.43 cents.

The Board did not recommend the payment of any dividend for the year (2003: HK\$ Nil).

SIGNIFICANT EVENTS DURING THE YEAR

(I) Capital Reorganization

In February 2003, the Company made a proposal for a Capital Reorganization ("Capital Reorganization") which included a Capital Reduction, Share Subdivision, Share Premium Cancellation and the Reduction of Authorized share capital of the Company. The Capital Reorganization was approved by shareholders on 7th April 2003 and details of which are set out in the circular dated 14th March 2003.

(II) Issued of shares and used of proceeds

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 of which approximately 55% was used for the investment in the pharmaceutical market in the People's Republic of China ("PRC"), which is in line with the Company's business development strategy. The balance was used to reduce the Group's debt.

SIGNIFICANT EVENTS DURING THE YEAR (continued)

(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. ("SPJN") which is principally engaged in the manufacture and sale of intravenous fluids and plastic bottle for containing intravenous fluids. Pursuant to the Acquisition Agreement, the Group purchased 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.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2004, the Group had total assets of HK\$294,058,000 (2003: HK\$205,836,000) which was financed by current liabilities of HK\$57,955,000 (2003: HK\$129,513,000), shareholders' equity of HK\$220,826,000 (2003: HK\$29,532,000) and minority interest of HK\$15,277,000 (2003: HK\$46,791,000).

The Group's current ratio as at 31st March 2004 was approximately 1.84 (2003:0.43) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 17.1% (2003: 351.5%). The rise in current ratio and the significant decrease in gearing ratio are the result of the repayment with over 80% of the total borrowing of the Group as at 31st March 2003 from the proceeds of the two subscriptions and the fund generated from its normal operations.

The total outstanding borrowings of the Group as at 31st March 2004 were denominated in Renminbi with fixed interest rate.

As at 31st March 2004, certain property, plant and equipment, with an aggregate net book value of approximately HK\$16,125,000 (2003: HK\$5,700,000), had been pledged to secure credit facilities granted to the Group.

The Group and the Company had no any material contingent liabilities and capital commitment as at 31st March 2004.

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 year. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

SIGNIFICANT EVENTS IN THE NEW FISCAL YEAR

(I) Placing and Subscription of shares

Through a placing and a subscription agreement, the Company allotted 175,000,000 shares at the price HK\$2 per share in early of 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 general working capital purposes, including the existing business operations of the Group, acquisition or investments that the Company may decide to pursue in the future.

(II) Acquisitions

- (a) In late of June 2004, the Group acquired the remaining 8% equity interest in Value Brilliant for a total consideration of approximately HK\$17,781,000. Following the acquisition, Value Brilliant has become a wholly owned subsidiary of the Group.
- (b) In early of July 2004, the Group entered into an agreement to acquire the entire equity interest in Zhejiang Juneng Rosi Pharmaceutical Co., Ltd. ("Rosi") 浙江巨能樂斯藥業有限公司 (「樂斯」) 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 production and sale of intravenous fluids (大輸液) which is also the existing products of the Group. Details of the acquisition are set out in the announcement dated 8th July 2004. The Group will complete the acquisition as soon as possible.

BUSINESS REVIEW

During the year, the Group recorded a turnover of approximately HK\$91,346,000 (2003: HK\$69,586,000), which represented an increase of 31.27% as compared to last year. The net profit attributable to shareholders for the year amounted to approximately HK\$12,433,000 (2003: loss HK\$60,700,000). The increase in turnover and the turnaround from loss to profit attributable to shareholders were because the Group accounted for the full year result of the business of manufacturing and sale of pharmaceutical products compared to only eight months in 2003, an increase in its share of profit derived from such business from 48.46% to 87.40%, a decrease in the finance costs and no revaluation deficit in this year. On the other hand, the taxation charges for the year was relieved by the deferred tax credit amounting to approximately HK\$2,098,000 and no such relieve is expected again in the next year.

To consolidate the resources of the Group in developing the more profitable business of manufacturing and sale of pharmaceutical products, the Group decided to dispose of the business of transportation related services realizing an aggregate loss of approximately HK\$2,434,000 during the year.

BUSINESS REVIEW (continued)

In the first half of the year, due to the outbreak of Severe Acute Respiratory Syndrome ("SARS"), most patients were not willing to undergo hospitalization and the demand for the Group's intravenous fluid therefore decreased, imposing pressure on selling prices. However, with the diminishing of SARS and continuous endeavor of the staff, the demand for the Group's products resumed to normal level in the second half of the year. Attributed to the price adjustment of certain products and the increase in marketing effort, an overall increase in both sales volume and value of intravenous fluid were recorded. Nevertheless, the gross profit margin has slightly decreased from about 65% in the previous year to about 62% this year. The profit margin has remained at the same level for the two years at approximately 32% as a result of the success in tightening its control on sale and administrative expenses.

PROSPECT

Despite the many challenges the market faced during the year, the Group has achieved a satisfactory performance and consistent growth for the past year. To improve the profitability of the pharmaceutical business, the Group has taken measures on promoting the sale of products with higher profit margins and launching and developing new products. In addition, the acquisition of Rosi will expand the income base, product mix and market share of the Group. It is believed that the pharmaceutical business will have further momentum for growth in the next year.

The sound financial position of the Group has been further strengthened with the proceeds from the subscription in June 2004 which enabled the Group to have adequate resources to develop the existing and any other new business. Besides investing in with pharmaceutical industry, the Group is also actively searching other profitable projects which can maximize returns for our shareholders. The Board is not only optimistic about the growth of existing business in the coming year but also expects the development of new profitable projects in the near future.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 620 employees in Hong Kong and the PRC as at 31st March 2004. 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.

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APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders and business associates for their ongoing support and extend our appreciation to our management team and staff members for their contributions to our achievements in the year.

By order of the Board

Zhang Cheng

Chairman

Hong Kong, 16th July 2004