Ares Asia Limited
安域亞洲有限公司

(Incorporated in Bermuda with limited liability)
(formerly known as KTP Holdings Limited)
Stock Code: 645

ARES ASIA
安域亞洲

Annual Report 2012

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CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

CHUA Chun Kay *(Chairman)*
Junaidi YAP
David Michael GORMLEY
LAM Pun Yuen, Frank[1]
NGAN Hing Hon[1]
YEUNG Kin Bond, Sydney[1]

1 *Independent non-executive directors*

COMPANY SECRETARY

NG Wai Hung

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1602, 16/F.
LHT Tower
31 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank

COMPANY WEBSITES

www.aresasialtd.com

www.irasia.com/listco/hk/aresasia/index.htm

STOCK CODE

645

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to report to you Ares Asia Limited (the "Company") and its subsidiaries (the "Group") progress over the past year as well as our plan and outlook for 2012/13 and beyond.

In the first quarter of 2012, we changed the name to Ares Asia Limited and adopted Chinese secondary name "安域亞洲有限公司" to reflect the new spirit and business mindset of the Group.

2011/12 has been a year of continuously challenging and difficult times due to the prolonged euro zone crisis and anaemic growth of the U.S. economy. A combination of these two events has dampened global demands and slowed economic growth. We also face an intensely competitive business environment in China with the rising labour cost and the appreciation of Renminbi. Management has taken early measurement to tighten cost control and expense management in the Group's manufacturing business in the past year.

Looking ahead, the Group will continue to look for attractive investment and acquisition opportunities in the energy sector and enhance the profitability so to maximize our shareholders' value. We will keep an open mind when exploring new opportunities but will acquire high potential projects on a carefully selective and prudent basis. With the expertise brought in by the renewed senior management team, the Group aims to maintain a sound financial position through this strategy in the Asia region.

Lastly, I would like to take this opportunity to express my heartfelt gratitude to my fellow directors, management and all staff for the hard work and dedication in endorsing the development of the Group, and the shareholders for their continuing support and confidence in the Group.

We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well positioned to meet futures challenges and move closer to its vision to be a profitable and well diversified company.

CHUA Chun Kay
Chairman

29th June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover decreased by 4% to US$28 million from US$29.1 million last year.

- Loss for the year attributable to owners of the Company was US$1.5 million as compared to profit of US$0.8 million for the previous year.

REVIEW OF OPERATIONS

For the year ended 31st March 2012, the Group's turnover decreased by 4% to US$28 million from US$29.1 million for the last year. Geographically, Asian countries contributed 100% of the Group's turnover for the year under review.

Gross profit was US$1.6 million, a decrease of US$0.7 million or 29% compared to the US$2.3 million recorded in the previous year. The gross profit margin for the year fell from 7.9% to 5.8%. This was mainly attributable to higher cost of materials, further increase in labour costs and Renminbi appreciation.

Other income for the year was US$0.3 million compared to US$1.4 million recorded in the last year, due primarily to the absence of gain on disposal of the Group's leasehold building in Hong Kong which amounting to US$1.1 million recorded in the last year.

General and administrative expenses were US$3.3 million or 11.8% of sales, a slight increase from US$3.1 million or 10.7% of sales reported for the previous year. The increase was mainly due to the increased spending on the legal and professional fees for the proposed investment in the coal mining sector in Indonesia.

Other gains, net recorded in the last year represented the gain on disposal of held for trading securities amounting to US$0.5 million.

As a result of the increasing cost pressure of the Group's manufacturing business in the PRC and the absence of last year gains on disposal of leasehold property and held for trading securities, a loss for the year attributable to owners of the Company of US$1.5 million was incurred for the year as compared to last year's profit of US$0.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPOSED INVESTMENT IN INDONESIA/SUBSCRIPTION OF EXCHANGEABLE BOND

The Group has been actively looking for attractive investment opportunities in order to extend its business reach and to improve the Group's financial performance.

On 26th August 2011, the Company and PT Langit Timur Energy ("LTE"), a company established in Indonesia with limited liability, entered into the memorandum of understanding, as supplemented on 21st October 2011 and 11th January 2012 (collectively known as, the "MOU") regarding the Company's intention to enter into a coal offtake agreement and acting as a marketing agency of certain coal concessions in West Papua, Indonesia ("Coal Concessions") as well as the possible acquisition of certain equity interests in the Coal Concessions. A total refundable security deposit of US$5 million (the "Security Deposit") had been placed by the Company with LTE up to 31st March 2012.

On 30th May 2012, the Group entered into a subscription agreement ("Subscription Agreement") with LTE and its related parties to subscribe for a one-year zero coupon secured exchangeable bond ("Bond") in a principal amount of US$5 million to be issued by LTE exchangeable into the shares of PT Mandiri Arya Persada ("MAP"), a company established in Indonesia with limited liability which holds certain coal concessions in West Papua, Indonesia through its subsidiaries and is legally and beneficially owned as to 99.9% by LTE, representing 5% (7.5% in case of the maturity date being extended for one year) of the total issued and paid-up capital of MAP on a fully diluted basis on the date of the exchange rights are being exercised (the "Subscription"). The redemption price is fixed at US$6.08 million, representing a redemption premium of 21.69% throughout the first one-year period and in case of the maturity date being extended for one year, it will be calculated at 141% on an accrual basis on the total outstanding principal amount.

The MOU terminated simultaneously with the signing of the Subscription Agreement and the Security Deposit was used to offset against the consideration of the Subscription. Completion of the Subscription took place on the same day of the signing of the Subscription Agreement.

The Group is of the view that the Subscription represents a good investment opportunity for the Group to generate income from the redemption premium at maturity or, upon exercising the exchange rights attached to the Bond, the potential capital gain and business opportunities from investing in the Coal Concessions in their early stages.

PROSPECT

The Group will remain full of challenges in the coming year given a more competitive business environment in the PRC and the complex global financial problems. It is expected that there would possibly be further decline in the sales and profits of the Group when the prolonged euro zone debt crisis continues to stifle the global economy. The Group will continue to work on streamlining and refining our operations to protect the shareholders' interest. It's also the Group's mission to identity any new business opportunities to broaden its sources of revenue, taking into account the cash flow requirement and associated business risks.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

During the year, for the purpose of refreshing the Company's corporate identity, the Company has changed its English name from KTP Holdings Limited to Ares Asia Limited and its Chinese name from " 港台集團有限公司 " (which has been used by the Company for identification purposes only) to " 安域亞洲有限公司 " by adopting the same as its secondary name, both with effect from 19th March 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources continued to be healthy and it is debt-free as at 31st March 2012. The reported cash and bank balances were US$25.8 million, as compared to US$31.3 million as at 31st March 2011. The decrease in cash and bank balances was mainly attributable to the payment of the Security Deposit amounting to US$5 million pursuant to the MOU.

The Group will closely monitor its financial position and maintain a healthy cash position to provide the Group with optimum flexibility to respond to market.

OPERATING WORKING CAPITAL

The Group follows a policy of prudence in managing its working capital. Trade receivables decreased by US$0.7 million from US$4 million as of 31st March 2011 to US$3.3 million as of 31st March 2012 which was in line with the decrease in fourth quarter sales as compared with the same period last year. The average collection period of trade receivables for both years were around 45 days (31st March 2011: 49 days). The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

Inventories decreased by US$1.1 million from US$5.3 million as of 31st March 2011 to US$4.2 million as of 31st March 2012 and the average stock turnover remained healthy at around 65 days (31st March 2011: 71 days).

CAPITAL EXPENDITURES AND COMMITMENTS

The Group generally relies on its internally generated cash flow to finance its day to day operations and we believe that the Group has adequate financial resources to meet its funding requirement for our future business developments.

REPORT OF THE DIRECTORS

The board of directors (the "Directors") of the Company (the "Board") is pleased to present their report together with the audited consolidated financial statements for the year ended 31st March 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. The activities of its principal subsidiaries are set out in note 27 to the consolidated financial statements.

An analysis of the Group's performance by geographical segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 24.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances as provided in the Act. The reserve of the Company available for distribution to shareholders as calculated under the Act as at 31st March 2012 amounted to US$32,866,000 (2011: US$34,009,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 26.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of Bermuda in relation to the issue of new shares by the Company.

REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. CHUA Chun Kay *(Chairman)*
Mr. Junaidi YAP (appointed on 16th May 2012)
Mr. David Michael GORMLEY (appointed on 21st September 2011)

Independent non-executive Directors

Mr. LAM Pun Yuen, Frank
Mr. NGAN Hing Hon
Mr. YEUNG Kin Bond, Sydney

Mr. David Michael GORMLEY and Mr. Junaidi YAP were appointed as executive Directors with effect from 21st September 2011 and 16th May 2012 respectively. According to Bye-law 86(2) of the Company, both of them will hold office only until the next following annual general meeting of the Company and will then be eligible, offer themselves, with exception of Mr. David Michael GORMLEY for re-election at that meeting.

Also, in accordance with Bye-law 87 of the Company, at the forthcoming annual general meeting, Mr. CHUA Chun Kay will retire by rotation and, being eligible, offer himself for re-election.

It was announced by the Board that with effect from 4th July 2012, Mr. CHUA Chun Kay will resign as Chairman of the Company but remain as an executive Director of the Company and Mr. Adwin Haryanto SURYOHADIPROJO will be appointed as an executive Director and Chairman of the Company. Mr. SURYOHADIPROJO, upon the effective date of his appointment, will hold office only until the next following annual general meeting of the Company and will then, be eligible, offer himself for re-election at that meeting.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. CHUA Chun Kay, aged 58, is the chairman and executive Director. He is a businessman in Singapore who owns businesses that engage in trading various kinds of commodities, including but not limited to pulp and paper, waste-paper, chemicals and spare-parts. Mr. CHUA is a fellow member of the Chartered Management Institute and holds a master's degree in business administration from the University of Leicester, United Kingdom. He joined the Company in 2011.

Mr. Junaidi YAP, aged 43, is the chief executive officer of the Group and executive Director. He has considerable experience in the financial and investment banking industry. He possesses extensive experience in investment banking and corporate financial advisory. Prior to joining the Company, he was an Executive Director at J.P. Morgan Securities (Asia Pacific) Limited in Hong Kong and Head of Debt Capital Market for Indonesia. He graduated with bachelor of business degree in accounting from Monash University, Australia. He joined the Company in 2012.

Mr. David Michael GORMLEY, aged 50, is the executive Director. Mr. GORMLEY has extensive international banking experience and has worked in Asia for a number of years. He began his career in 1986 with Dean Witter Reynolds in New York and later joined Citibank N.A. where he spent over 22 years in various global corporate and private banking positions. Mr. GORMLEY serves on the AmCham Indonesia Board of Governors. Mr. GORMLEY holds a bachelor of arts degree in economics from Columbia College, Columbia University in New York and also completed the Citigroup/Executive Program from Stanford University Graduate School of Business. He joined the Company in 2011.

Mr. LAM Pun Yuen, Frank, aged 61, is an independent non-executive Director. Mr. LAM is currently the Managing Director and Head of Investment Banking of KGI Capital Asia Limited. He has considerable experience in the financial and investment banking industry. He possesses extensive experience in corporate banking and investment banking including loan syndication, initial public offerings, mergers and acquisitions, fund raising and corporate finance advisory. He graduated with a bachelor of science in marketing from Utah State University, Logan, Utah and a master of business administration from Armstrong College, Berkeley, California, USA. He is a registered responsible officer and principal supervisor under the SFO and was a founding committee member and a Vice-Chairman of the Association of Shenzhen Foreign Financial Institutions, China in 1998 and 1999 respectively. He joined the Company in 2011.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Directors *(Continued)*

Mr. NGAN Hing Hon, aged 55, is an independent non-executive Director. He is currently the audit associate director of World Link CPA Limited. Mr. NGAN graduated from the Chinese University of Hong Kong with a bachelor of business administration. He is the associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. NGAN had worked in two international audit firms for approximately 4 years, and was then employed by several listed and private companies in Hong Kong as financial controller. Mr. NGAN has extensive experience in auditing, accounting and corporate finance. He was the chief financial officer of a listed company in Singapore for the period from May 2004 to September 2007. He joined the Company in 2011.

Mr. YEUNG Kin Bond, Sydney, aged 38, is an independent non-executive Director. He started his career at Morgan Stanley in 1996 in New York. He then worked at Van der Moolen, a US securities specialist firm then listed on the New York Stock Exchange, as the director of international trading. Mr. YEUNG is one of the founders of Verde Asia Fund LLC and the managing director of Pioneer Capital Mgmt, Inc. He is also the director and member of Global Strategic Events Pte Ltd, a media company which is engaged in sponsoring and the coordination of Asia's most prolific business forums and television programs. He is currently the director of Roots Capital Asia Limited which engages in advisory services. He joined the Company in 2011.

Senior Management

Mr. HUANG Huan Tung, aged 52, is the senior manager of the Group's development and operations of shoe sole production. He joined the Group in 1990 and has extensive experience in footwear manufacturing and sole production.

Mr. LEE Chi Keung, Russell, aged 55, is the director of the Group's shoe sole production responsible for sales and marketing. He joined the Group in 1993 and has over 20 years experience of operational and management experience in footwear industry.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 31st March 2012 the interests and short positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares of the Company

Name of Director	Number of shares held/interested		Percentage of issued share capital
CHUA Chun Kay ("Mr. CHUA")	209,707,416	*(Note)*	61.57%

Note:

The 209,707,416 shares in the Company are owned by Star Crown Capital Ltd ("Star Crown") and the entire issued share capital of Star Crown is owned by Mr. CHUA.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 31st March 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of Directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive Directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the Directors believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

The maximum number of option shares can be granted under the Scheme shall not exceed 34,061,693 which was 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK$1.00.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the participants.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or its subsidiary companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2012, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholder's interest who is interested in 5% or more of the issued share capital of the Company. The following interest has been disclosed in respect of the Directors.

Long position in shares of the Company

Name	Number of ordinary shares held interested	Percentage of issued share capital
Star Crown Capital Ltd	209,707,416	61.57%

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

None of the Directors in their respective associates had any interests in business which compete or may compete with the Group's business.

CONNECTED TRANSACTION

During the year, the Group did not enter into any transactions with any connected persons.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	23%
— five largest suppliers combined	66%

Sales

— the largest customer	41%
— five largest customers combined	81%

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2012, the Group had a total of approximately 1,150 (2011: 1,500) full time employees (including contracted manufacturing workers) in Hong Kong and the People's Republic of China (the "PRC"). The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes and bonus on performance basis.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March 2012.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 15 to 21 to the annual report.

AUDITORS

The consolidated financial statements for the year have been audited by Messrs. SHINEWING (HK) CPA Limited. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
CHUA Chun Kay
Chairman

Hong Kong, 29th June 2012

CORPORATE GOVERNANCE REPORT

The Board is please to present the corporate governance report in the annual report of the Company for the year ended 31st March 2012.

The Board is dedicated to sound governance practices and strives to meet the standard at all levels of the organisation. The Board recognises the vital importance of trust in relationship with our shareholders and investors and solid corporate governance practices ensure the alignment of corporate behaviours with shareholder interests by promoting the principles of transparency, accountability and independence in the Group's business activities and decision making processes.

The Company adopted the code provisions set out in the Code on Corporate Governance Practices, which has been renamed as Corporate Governance Code ("CG Code") with effect from 1st April 2012, in Appendix 14 of the Listing Rules as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied with the Code throughout the year ended 31st March 2012, except for certain deviations disclosed herein.

THE BOARD

Board composition and role

The Board is responsible for overseeing our management and business affairs as well as approving strategic plans and major policy decisions for the Group.

The Board consisted of five members as at 31st March 2012, including two executive Directors and three independent non-executive Directors. An additional executive Director was appointed on 16th May 2012 and the Board comprised six Directors up to the date of this report. The list of Directors and their respective biographies are set out on pages 9 to 10 to this annual report respectively.

The Board has delegated the day-to-day responsibility to the executive Directors and senior management who perform their duties under the leadership of the Company's chief executive officer. The role of chairman and the chief executive officer is separate and performed by two Directors. Mr. CHUA Chun Kay, who is the executive Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group.

Mr. Junaidi YAP, who is the Chief Executive Officer of the Company in place of Mr. David Michael GORMLEY since 13th June 2012, is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the executive Directors and senior management.

THE BOARD *(Continued)*

Board composition and role *(Continued)*

During the year ended 31st March 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, all of them possess appropriate professional qualifications, or accounting or related financial management expertise. In addition, the Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all of them are independent to the Company.

The Directors are kept abreast of their responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to Directors and the Board committee members in a timely manner to keep them appraised of the latest development of the Group. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Board meetings

During the year ended 31st March 2012, the Board had held five Board meetings. Out of the five Board meetings, two of them were held to discuss and/or approve the annual and the interim financial performance/results of the Group while three of them were held to discuss, among other things, various projects contemplated by the Group and the legal matters of the Group.

During the year ended 31st March 2012, the composition of the Board and the respective attendances of the members are presented as follows:

Name of Directors	Number of board meetings attended
Executive Directors	
Mr. CHUA Chun Kay *(Chairman)*	4/5
Mr. David Michael GORMLEY (appointed on 21st September 2011)	3/5
Independent non-executive Directors	
Mr. LAM Pun Yuen, Frank	5/5
Mr. NGAN Hing Hon	5/5
Mr. YEUNG Kin Bond, Sydney	3/5

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board meetings *(Continued)*

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Company engages an external service provider as its Company Secretary and the primary corporate contact person of the Company is the Chief Executive Officer of the Company, being Mr. Junaidi YAP since 13th June 2012.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

During the year ended 31st March 2012, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

Directors' securities transactions

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March 2012.

Appointment, re-election and removal of directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Board as a whole is responsible for reviewing the Board composition.

In accordance with the Company's Bye-laws, all Directors of the Company are subject to retirement by rotation at least once every three years. Any new Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Code Provision A.4.1 specifies that the non-executive Directors should be appointed for a specific term, subject to re-election. The term of the independent non-executive Directors is not fixed but they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

Throughout the year ended 31st March 2012, the Company had maintained a Nomination Committee as required under the CG Code. The Nomination Committee is composed of three independent non-executive Directors and chaired by Mr. YEUNG Kin Bond, Sydney. The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available and accessible on the Company's website at http://www.irasia.com/listco/hk/aresasia/governance.htm.

During the year ended 31st March 2012, the Nomination Committee had held three meetings for the purpose of appointment of new Board members and reviewing the structure, size and composition of the Board. The composition of the Nomination Committee, and the respective attendances of the members are presented as follows:

Committee members	Attendance/Number of meetings held
Independent non-executive Directors	
Mr. YEUNG Kin Bond, Sydney *(Chairman)*	2/3
Mr. LAM Pun Yuen, Frank	3/3
Mr. NGAN Hing Hon	3/3

REMUNERATION OF DIRECTORS

Throughout the year ended 31st March 2012, the Company had maintained a Remuneration Committee as required under the CG Code. The Remuneration Committee is composed of three independent non-executive Directors and chaired by Mr. LAM Pun Yuen, Frank. The Remuneration Committee is responsible for reviewing and determining the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company's website at http://www.irasia.com/listco/hk/aresasia/governance.htm.

During the year ended 31st March 2012, the Remuneration Committee had held two meetings for the purpose of considering the remuneration of the Directors. The composition of the Remuneration Committee, and the respective attendances of the members are presented as follows:

Committee members	Attendance/Number of meetings held
Independent non-executive Directors	
Mr. LAM Pun Yuen, Frank *(Chairman)*	2/2
Mr. NGAN Hing Hon	2/2
Mr. YEUNG Kin Bond, Sydney	1/2

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for preparing all information and representations contained in the annual report for the year under review. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with. The management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

Similar to last year, in preparing the accounts for the six months ended 30th September 2011 and for the year ended 31st March 2012, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting years have been prepared on a going concern basis.

Audit committee

Throughout the year ended 31st March 2012, the Company had maintained an Audit Committee as required under the Listing Rules. The Audit Committee is composed of three independent non-executive Directors and chaired by Mr. NGAN Hing Hon. The Audit Committee is responsible for considering the appointment of external auditor, review the interim and annual financial statements before submission to the Board and the Group's internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company's website at http://www.irasia.com/listco/hk/aresasia/governance.htm.

During the year ended 31st March 2012, the Audit Committee had held three meetings. Annual/interim results and/or internal audit of the Group were discussed during the meetings.

The composition of the Audit Committee, and the respective attendances of the members are presented as follows:

Committee members	Attendance/Number of meetings held
Independent non-executive Directors	
Mr. NGAN Hing Hon *(Chairman)*	3/3
Mr. YEUNG Kin Bond, Sydney	2/3
Mr. LAM Pun Yuen, Frank	3/3

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 22 to 23.

The fees paid/ payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31st March 2012 amounted to US$50,000 and US$47,000 respectively (2011: US$44,000 and US$9,100).

INTERNAL CONTROL

The Group maintains an effective internal control system. It consists, in part, of organisational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures.

The Board has conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management functions. Areas for improvement have been identified and appropriate measures taken so as to safeguard the shareholders' investments and the Group's assets.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain a high level of transparency in communicating with shareholders and investors.

Copies of annual report and relevant corporate information circular of the Company are dispatched to shareholders in a timely manner well before time limits laid by the statutory and Listing Rules requirements to ensure effective communication with shareholders and investors.

The annual general meeting and other general meetings of the Company provide a forum for shareholders and investors to raise and exchange views with the Board. The chairman of the Board as well as the Board Committees or senior management of the Company is available to answer questions raised by the shareholders and investors.

To promote effective communication, the Company maintains websites at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia/index.htm, where up-to-date information and updates on the Company's operations, financial information and other information are posted available for public access.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS *(Continued)*

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or by email to cs@aresasialtd.com for the attention of the company secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' rights and interests, separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors.

Voting by poll

Pursuant to the Listing Rules, all voting at the Company's general meetings shall be conducted by poll. The Company's bye-laws has set out the procedures and requirements of voting by poll. Such voting procedure would be explained by the Chairman at the commencement of the general meeting of shareholders.

Procedures for shareholders to nominate a Director

Pursuant to the bye-laws of the Company, if a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the shareholder himself/herself) for election as a Director of the Company, the shareholder must deposit a written notice to the principal place of business of the Company in Hong Kong for the attention of the company secretary of the Company. Details for nominating candidates to stand for election as a Director are set out in the Company's website at http://www.irasia.com/listco/hk/aresasia/governance.htm.

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
ARES ASIA LIMITED
(FORMERLY KNOWN AS KTP HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ares Asia Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 71, which comprise the consolidated statement of financial position as at 31st March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
29th June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2012

	Notes	2012 US$'000	2011 US$'000
Turnover	7	**27,967**	29,099
Cost of sales		**(26,330)**	(26,804)
Gross profit		**1,637**	2,295
Other income	8	**314**	1,441
Distribution expenses		**(200)**	(253)
Administrative expenses		**(3,294)**	(3,100)
Other gains, net	9	**—**	462
(Loss) profit before tax	10	**(1,543)**	845
Income tax expense	12	**—**	(48)
(Loss) profit for the year attributable to owners of the Company		**(1,543)**	797
Other comprehensive expense			
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		**—**	(8)
Total comprehensive (expense) income for the year attributable to owners of the Company		**(1,543)**	789
		US cents	*US cents*
(Loss) earnings per share — basic and diluted	14	**(0.5)**	0.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2012

	Notes	2012 US$'000	2011 US$'000
Non-current asset			
Property, plant and equipment	15	**581**	428
Current assets			
Inventories	16	**4,153**	5,306
Trade receivables	17	**3,318**	3,983
Deposits, prepayments and other receivables	18	**5,314**	252
Bank balances and cash	19	**25,826**	31,272
		38,611	40,813
Current liabilities			
Trade payables	20	**1,208**	2,304
Accruals and other payables		**2,770**	2,180
Tax payable		**48**	48
		4,026	4,532
Net current assets		**34,585**	36,281
Total assets less current liabilities		**35,166**	36,709
Capital and reserves			
Share capital	21	**440**	440
Reserves		**34,726**	36,269
Total equity		**35,166**	36,709

The consolidated financial statements on pages 24 to 71 were approved and authorised for issue by the board of directors of the Company on 29th June 2012 and are signed on its behalf by:

CHUA Chun Kay
Chairman

Junaidi YAP
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2012

	Share capital	Contributed surplus	Investments revaluation reserve	Retained earnings	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st April 2010	440	15,088	8	20,384	35,920
Profit for the year	—	—	—	797	797
Other comprehensive expense	—	—	(8)	—	(8)
Total comprehensive income for the year	—	—	(8)	797	789
At 31st March 2011 and 1st April 2011	440	15,088	—	21,181	36,709
Total comprehensive expense for the year	—	—	—	(1,543)	(1,543)
At 31st March 2012	440	15,088	—	19,638	35,166

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2012

	2012 US$'000	2011 US$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(1,543)**	845
Adjustments for:		
Allowance for inventories	—	114
Amortisation of prepaid lease payments on land use rights	—	49
Depreciation of property, plant and equipment	**114**	171
Dividend income from held for trading investments	—	(54)
Loss on disposal of available-for-sale financial assets	—	14
Gain on disposal of held for trading investments	—	(476)
Gain on disposal of property, plant and equipment	—	(1,084)
Interest income	**(2)**	(26)
Written off of prepaid lease payment on land use rights	—	121
Written off of property, plant and equipment	—	185
Operating cash flows before movements in working capital	**(1,431)**	(141)
Decrease (increase) in inventories	**1,153**	(1,314)
Decrease (increase) in trade receivables	**665**	(2,048)
Increase in deposits, prepayments and other receivables	**(62)**	(16)
(Decrease) increase in trade payables	**(1,096)**	1,452
Increase in accruals and other payables	**590**	866
NET CASH USED IN OPERATING ACTIVITIES	**(181)**	(1,201)
INVESTING ACTIVITIES		
Deposit paid for proposed investment	**(5,000)**	—
Purchase of property, plant and equipment	**(267)**	(18)
Interest received	**2**	26
Proceeds on disposal of held for trading investments	—	8,197
Proceeds on disposal of property, plant and equipment	—	1,084
Decrease in cash held at a non-bank financial institution	—	554
Proceeds on disposal of available-for-sale financial assets	—	430
Dividend received from held for trading investments	—	54
Purchase of held for trading investments	—	(2,448)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(5,265)**	7,879
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(5,446)**	6,678
CASH AND CASH EQUIVALENTS AT 1ST APRIL	**31,272**	24,594
CASH AND CASH EQUIVALENTS AT 31ST MARCH, represented by bank balances and cash	**25,826**	31,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

1. GENERAL INFORMATION

Ares Asia Limited (formerly known as KTP Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. The parent and ultimate holding company of the Company is Star Crown Capital Ltd, a company incorporated in the British Virgin Islands ("BVI").

By a special resolution passed at the Company's special general meeting held on 15th March 2012 and with the approval of the Registrar of Companies in Bermuda on 19th March 2012, the English name of the Company was changed from KTP Holdings Limited to Ares Asia Limited and its Chinese name from "港台集團有限公司" (which has been used by the Company for identification purposes only) to "安域亞洲有限公司" by adopting the same as its secondary name, both with effect from 19th March 2012.

The consolidated financial statements are presented in United States dollar ("US$"), which is the same as the functional currency of the Company and its subsidiaries.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised standards, amendments and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements
(as part of Improvements to HKFRS issued in 2010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Application of new and revised standards, amendments and interpretations *(Continued)*

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	Government Loans[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[4]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New or revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate the application of the amendments to HKFRS 7 will affect the group's disclosure regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New or revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of the new standard may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that affect until detail review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New or revised HKFRSs issued but not yet effective *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) — Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New or revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New or revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors of the Company anticipate that the application of the amendments to HKAS 12 will not have material impact on the results and the financial position of the Group.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The principal accounting policies are set out below.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.2 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

3.5 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Financial assets at fair values through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, cash held at a non-bank financial institution and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy in respect of impairment losses on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(a) ***Financial assets*** *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment losses on financial assets below).

Impairment losses on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(a) *Financial assets* *(Continued)*

Impairment losses on financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days for trade receivables, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(b) Financial liabilities and equity instruments *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

The Group's financial liabilities are generally classified into other financial liabilities. Other financial liabilities including trade payables, accruals and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(c) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises and associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Financial instruments *(Continued)*

(c) ***Derecognition*** *(Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns, discounts and sales related taxes.

(a) ***Revenue from sales of sports footwear***

Revenue from sales of sports footwear is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) ***Interest income***

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(c) ***Dividend income***

Dividend income from investments including financial assets at FVTPL is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (or tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Employee benefits

(a) Retirement benefits

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

The Group's employees in the People's Republic of China (the "PRC") are covered by various government sponsored pension plans. These government agencies are responsible for the pension liabilities to these employees.

The relevant group companies pay monthly contributions to these pension plans based on certain percentages of the salaries, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Payments are charged as an expense when employees have rendered services entitling them to the contributions.

The Group's Hong Kong employees are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"), the Group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month, and are expensed when employees have rendered services entitling them to the contributions.

(b) Employee leave entitlement

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

Provisions for bonus plans due wholly within 12 months after the end of reporting period are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(b) Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3.11 Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Impairment losses on tangible assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.1 Critical judgements in applying the entity's accounting policies *(Continued)*

Income tax

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The income tax liabilities recognised are based on management's assessment of the likely outcome.

4.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives and residual value of property, plant and equipment

The Group's net carrying value of property, plant and equipment as at 31st March 2012 was approximately US$581,000 (2011: US$428,000). The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives and residual values are different to previous estimated, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual values and therefore expense in the future periods.

(b) Estimated impairment on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

(b) ***Estimated impairment on trade and other receivables*** *(Continued)*

As at 31st March 2012, the carrying amount of trade and other receivables is US$8,632,000 (2011: carrying amount of US$4,235,000). There are no allowances for doubtful debts of trade and other receivables recognised during the two years ended 31st March 2012 and 2011.

(c) ***Estimated allowance for inventories***

Management of the Group reviews an ageing analysis and carries out an inventory review on a product by product basis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sales. Management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. As at 31st March 2012, the carrying amount of inventories is US$4,153,000 (2011: US$5,306,000). During the year ended 31st March 2012, allowance of nil (2011: approximately US$114,000) has been recognised.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share of the Company issues as well as raising of new borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

	2012	2011
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**34,448**	35,493
Financial liabilities		
Other financial liabilities at amortised cost	**3,741**	4,375

6.2 Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, accruals and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. A significant portion of the Group's sales and purchases of raw materials are denominated in the functional currency of the Company (i.e. US$) and only approximately 38% and 22% (2011: 39% and 25%) of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the Company.

The Group's exposure to foreign currency risk relates principally to its receivables, bank balances and payables denominated in foreign currencies other than US$, mainly Renminbi ("RMB") and Hong Kong dollars ("HK$").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

6. FINANCIAL INSTRUMENTS *(Continued)*

6.2 Financial risk management objectives and policies *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk (Continued)

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*
RMB	**63**	71	**1,962**	2,788
HK$	**11,061**	31,984	**322**	657
	11,124	32,055	**2,284**	3,445

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency risk and will consider hedging significant foreign currency risk exposure should the need arise.

HK$ is pegged to US$ and the foreign exchange exposure between US$ and HK$ is therefore limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

6. FINANCIAL INSTRUMENTS *(Continued)*

6.2 Financial risk management objectives and policies *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A negative number below indicates an increase in post-tax profit where US$ strengthens 5% (2011: 5%) against the relevant currencies. For a 5% (2011: 5%) weakening of US$ against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	Profit or loss	
	2012	2011
	US$'000	*US$'000*
RMB impact	**95**	136

(ii) Interest rate risk

As at 31st March 2012 and 2011, the Group had no bank balances with fixed interest rate and no borrowings. All of the Group's financial liabilities are non-interest bearing and their maturity dates are within one year. The Group's exposure to fair value interest rate risk is minimal.

The Group is exposed to cash flow interest rate risk in relation to the bank balances. The directors of the Company consider the Group's exposure of bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. Therefore, no sensitivity analysis is presented thereon.

Management monitors interest rate risk and will consider hedging the interest rate risk exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

6.2 Financial risk management objectives and policies *(Continued)*

(b) Credit risk

As at 31st March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for nearly 100% (2011: 98%) of the total trade receivables as at 31st March 2012.

The Group has concentration of credit risk as 49% (2011: 30%) and 92% (2011: 79%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

6. FINANCIAL INSTRUMENTS *(Continued)*

6.2 Financial risk management objectives and policies *(Continued)*

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31st March 2012 and 2011, all of the Group's financial liabilities were non-interest bearing and their maturity dates are within one year.

6.3 Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their immediate or short-term maturities.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on gross invoiced sales of athletic and sports leisure footwear products, net of returns, discounts and sales related taxes.

(a) Segment revenues, results, assets and liabilities

The Group's operating segment based on information reported to the chief operating decision makers, who have been identified as the directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's revenues, results, assets and liabilities are primarily attributable to the sales of athletic and sports leisure footwear products. The directors of the Company consider that there is only one operating and reportable segment for the Group.

(b) Geographical information

The Group's revenue from external customers based on the location of the customers and information about its non-current assets by geographical location of the assets are detailed as below:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC	**26,858**	27,111	**581**	428
Asia (other than the PRC)	**1,109**	1,988	**—**	—
	27,967	29,099	**581**	428

(c) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	US$'000	*US$'000*
Customer A	**11,570**	11,966
Customer B	**5,438**	5,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

8. OTHER INCOME

	2012	2011
	US$'000	*US$'000*
Bank interest income	**2**	25
Interest income from unlisted debt securities	—	1
Gain on disposal of property, plant and equipment	—	1,084
Dividend income from held for trading investments	—	54
Scrap sales	**307**	241
Others	**5**	36
	314	1,441

9. OTHER GAINS, NET

	2012	2011
	US$'000	*US$'000*
Loss on disposal of available-for-sale financial assets	—	(14)
Gain on disposal of held for trading investments	—	476
	—	462

10. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2012	2011
	US$'000	*US$'000*
Auditor's remuneration	**50**	44
Depreciation of property, plant and equipment	**114**	171
Amortisation of prepaid lease payments on land use rights	**—**	49
Cost of inventories recognised as expenses	**26,330**	26,690
Allowance for inventories (included in cost of sales)	**—**	114
Written off of prepaid lease payment on land use rights	**—**	121
Written off of property, plant and equipment	**—**	185
Staff costs (including directors' emoluments) *(Note 11)*	**7,247**	7,189
Operating lease in respect of rented premises	**118**	22
Net exchange loss	**219**	278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	US$'000	*US$'000*
Wages and salaries	**7,170**	7,114
Contributions to retirement benefit schemes *(Note (a))*	**77**	75
	7,247	7,189

Notes:

(a) Contributions to retirement benefit schemes

All Hong Kong employees of the Group are eligible to join a MPF Scheme registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group's contributions to the MPF Scheme are expensed as incurred and are 100% vested in the employees as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employees reach the age of 65 subject to a few exceptions. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The Group is also required to make contributions to state-managed retirement benefit scheme operated by the PRC government at certain percentage of payroll costs of its employees. The government is responsible for the entire pension obligation payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under the scheme.

(b) Directors' emoluments

The emoluments paid or payable to each of the five (2011: nine) directors are as follows:

At 31st March 2012

		Other emoluments		
	Fees	**Basic salaries, other allowances and benefits in kinds**	**Contributions to retirement benefit schemes**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Executive directors				
CHUA Chun Kay	**60**	—	—	**60**
David Michael GORMLEY (appointed on 21st September 2011)	—	**211**	—	**211**
Independent non-executive directors				
LAM Pun Yuen, Frank	**15**	—	—	**15**
NGAN Hing Hon	**15**	—	—	**15**
YEUNG Kin Bond, Sydney	**15**	—	—	**15**
Total emoluments	**105**	**211**	—	**316**

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Notes: (Continued)

(b) Directors' emoluments *(Continued)*

At 31st March 2011

	Fees	Other emoluments		Total
		Basic salaries, other allowances and benefits in kinds	Contributions to retirement benefit schemes	
	US$'000	*US$'000*	*US$'000*	*US$'000*
Executive directors				
CHUA Chun Kay (appointed on 27th January 2011)	—	—	—	—
LEE Chi Keung, Russell (resigned on 16th February 2011)	—	423	2	425
YU Mee See, Maria (resigned on 16th February 2011)	—	141	2	143
Independent non-executive directors				
LAM Pun Yuen, Frank (appointed on 16th February 2011)	—	—	—	—
NGAN Hing Hon (appointed on 16th February 2011)	—	—	—	—
YEUNG Kin Bond, Sydney (appointed on 16th February 2011)	—	—	—	—
NG Wai Hung (resigned on 16th February 2011)	38	—	—	38
LEE Siu Leung (resigned on 16th February 2011)	15	—	—	15
YUEN Sik Ming (resigned on 16th February 2011)	15	—	—	15
Total emoluments	68	564	4	636

(c) Senior management's emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31st March 2012 include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three individuals are as follow:

	2012	2011
	US$'000	*US$'000*
Basic salaries, other allowance and benefits in kinds	**1,100**	600
Contributions to retirement benefit schemes	**2**	2
	1,102	602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Notes: (Continued)

(c) Senior management's emoluments *(Continued)*

Their emoluments are within the following bands:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000 (equivalent to approximately Nil to US$128,000)	**—**	—
HK$1,000,001 to HK$1,500,000 (equivalent to approximately US$128,001 to US$192,300)	**1**	1
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$192,301 to US$256,000)	**—**	2
HK$2,000,001 to HK$2,500,000 (equivalent to approximately US$256,001 to US$321,000)	**1**	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$385,001 to US$449,000)	**1**	—
	3	3

No directors and senior management waived or agreed to waive any emoluments during the two years ended 31st March 2012 and 2011.

No emoluments were paid by the Company to any of the directors and senior management as inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31st March 2012 and 2011.

12. INCOME TAX EXPENSE

	2012 ***US$'000***	2011 *US$'000*
Current tax — Hong Kong	**—**	48

No provision for Hong Kong Profit tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the year ended 31st March 2012. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31st March 2011.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions in which the Group operates. No taxation had been provided for the two years ended 31st March 2012 and 2011 as the Group had no assessable profits arising in or deriving from the relevant jurisdictions.

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the years can be reconciled to the (loss) profit before tax per the consolidated statement of comprehensive income as follows:

	2012 **US$'000**	2011 *US$'000*
(Loss) profit before tax	**(1,543)**	845
Tax calculated at the statutory tax rate of 16.5% (2011: 16.5%)	**(255)**	139
Tax effect of income not taxable for tax purpose	**(2)**	(318)
Tax effect of expenses not deductible for tax purpose	**197**	261
Utilisation of tax losses previously not recognised	**—**	(34)
Tax effect of tax losses not recognised	**60**	—
Income tax expense	**—**	48

As at 31st March 2012, the Group had unused tax losses of approximately US$365,000 (2011: Nil) available for offsetting against future profits. No deferred tax assets had been recognised in respect of the tax losses due to the unpredictability of future profit streams.

There is no other material unprovided deferred tax for the two years ended 31st March 2012 and 2011.

13. DIVIDEND

No final dividend was paid or proposed during the year ended 31st March 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

14. (LOSS) EARNINGS PER SHARE

(a) Basic

Basic (loss) earnings per share is calculated by dividing the (loss) profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the two years ended 31st March 2012 and 2011.

	2012	2011
(Loss) profit for the year attributable to owners of the Company (US$)	**(1,543,000)**	797,000
Weighted average number of ordinary shares in issue	**340,616,934**	340,616,934
Basic (loss) earnings per share (US cents)	**(0.5)**	0.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

14. (LOSS) EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted (loss) earnings per share was the same as the basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31st March 2012 and 2011.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost						
At 1st April 2010	2,085	233	830	34	131	3,313
Additions	—	—	12	6	—	18
Disposals/written off	(2,085)	(233)	—	(22)	—	(2,340)
At 31st March 2011 and 1st April 2011	—	—	842	18	131	991
Additions	—	125	9	133	—	267
Eliminated on disposals/ written off	—	—	—	(13)	(131)	(144)
At 31st March 2012	—	125	851	138	—	1,114
Accumulated depreciation						
At 1st April 2010	1,892	165	339	28	123	2,547
Charged for the year	48	28	84	6	5	171
Disposals/written off	(1,940)	(193)	—	(22)	—	(2,155)
At 31st March 2011 and 1st April 2011	—	—	423	12	128	563
Charged for the year	—	14	85	12	3	114
Eliminated on disposals/ written off	—	—	—	(13)	(131)	(144)
At 31st March 2012	—	14	508	11	—	533
Carrying values						
At 31st March 2012	—	111	343	127	—	581
At 31st March 2011	—	—	419	6	3	428

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	40%
Leasehold improvements	25% or term of the lease, if shorter
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

16. INVENTORIES

	2012	2011
	US$'000	*US$'000*
Raw materials	**1,613**	3,114
Work-in-progress	**957**	493
Finished goods	**1,583**	1,699
	4,153	5,306

17. TRADE RECEIVABLES

	2012	2011
	US$'000	*US$'000*
Trade receivables	**3,318**	3,983

(a) The Group allows a credit period ranging from 30 to 90 days to its trade customers. Ageing analysis of the Group's trade receivables at the end of the reporting period presented based on the invoice date is as follows:

	2012	2011
	US$'000	*US$'000*
Within 30 days	**1,747**	2,443
31 to 60 days	**1,554**	1,297
61 to 90 days	**—**	224
Over 90 days	**17**	19
	3,318	3,983

The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

17. TRADE RECEIVABLES *(Continued)*

(b) The Group's neither past due nor impaired trade receivables mainly represents sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures.

(c) Included in the Group's trade receivables are debtors with aggregate carrying amount of US$150,000 (2011: US$238,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the sales are made with creditworthy customers and the amounts are still considered recoverable.

Ageing analysis of trade receivables which are past due but not impaired is as follows:

	2012	2011
	US$'000	*US$'000*
Within 30 days	**133**	218
31 to 90 days	**—**	1
Over 90 days	**17**	19
	150	238

(d) There were no impairment losses of trade receivables for two years ended 31st March 2012 and 2011.

(e) The carrying amounts of the Group's trade receivables are denominated in the following currency other than the functional currency:

	2012	2011
	US$'000	*US$'000*
HK$	**1,590**	1,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012 US$'000	2011 US$'000
Deposit paid for proposed investment *(Note)*	**5,000**	—
Others	**314**	252
	5,314	252

Note: Details of the deposit paid are set out in note 25.

As at 31st March 2012, the carrying amounts of US$154,000 (2011: nil) of the Group's deposits, prepayments and other receivables are denominated in HK$.

19. BANK BALANCES AND CASH

(a) Bank balances carry interest at floating rates based on daily bank deposit rates. The short term bank deposits carry fixed interest rate ranging 0.01% to 0.05% (2011: 0.01% to 0.3%) per annum with an original maturity of three months or less.

(b) At 31st March 2012, cash at bank denominated in RMB of approximately US$63,000 (2011: US$71,000) are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(c) The carrying amounts of the Group's bank balances and cash are denominated in the following currencies other than the functional currency:

	2012 US$'000	2011 US$'000
RMB	**63**	71
HK$	**9,317**	30,823
	9,380	30,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

20. TRADE PAYABLES

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date is as follows:

	2012	2011
	US$'000	*US$'000*
Within 30 days	**563**	1,506
31 to 60 days	**638**	706
61 to 90 days	**—**	85
Over 90 days	**7**	7
	1,208	2,304

The credit period on purchases of goods ranges from 14 days to 90 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

(b) The carrying amounts of the Group's trade payables are denominated in the following currencies other than the functional currency:

	2012	2011
	US$'000	*US$'000*
RMB	**966**	1,536
HK$	**49**	44
	1,015	1,580

21. SHARE CAPITAL

	Par value of shares	Number of ordinary shares	Value
	HK$		*US$'000*
Authorised:			
At 1st April 2010, 31st March 2011 and 31st March 2012	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 1st April 2010, 31st March 2011 and 31st March 2012	0.01 each	340,616,934	440

22. SHARE OPTIONS

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the directors of the Company believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The maximum number of option shares can be granted under the Scheme shall not exceed 34,061,693 which is 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK$1.00.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

22. SHARE OPTIONS *(Continued)*

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the two years ended 31st March 2012 and 2011 was as follows:

	2012	2011
	US$'000	*US$'000*
Short-term benefits	**1,416**	1,232
Post-employment benefits	**2**	6
	1,418	1,238

The remuneration of directors and senior management is determined by the remuneration committee having regard to the performance of individual and market trends.

24. LEASE COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2012	2011
	US$'000	*US$'000*
Within one year	**307**	—
In the second to fifth year inclusive	**499**	—
	806	—

Operating lease payments represent rentals payable by the Group for its office premise. Lease is negotiated for an average term of 3 years (2011:Nil) with fixed monthly rentals. The operating lease contract contains market clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease periods.

25. EVENTS AFTER THE REPORTING PERIOD

The Company and PT Langit Timur Energy ("LTE"), a company established in Indonesia with limited liability, entered into the memorandum of understanding on 26th August 2011, as supplemented on 21st October 2011 and 11th January 2012 (collectively known as, the "MOU") regarding the Company's intention to participate into the tender offer of coal offtake agreement and acting as a marketing agency of certain coal concessions in West Papua, Indonesia ("Coal Concessions") as well as the possible acquisition of certain equity interests in the Coal Concessions.

Pursuant to the MOU, a total refundable security deposit of US$5 million (the "Security Deposit") had been placed by the Company with LTE up to 31st March 2012.

Subsequent to the end of the reporting period, on 30th May 2012, Able Point Corporation Limited ("Able Point"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement ("Subscription Agreement") with LTE, PT Mandiri Arya Persada ("MAP") (a company established in Indonesia with limited liability which holds certain coal concessions in West Papua, Indonesia through its subsidiaries and is legally and beneficially owned as to 99.9% by LTE) and PT Lintas Sanjaya (a company established in Indonesia with limited liability which owns 15% existing issued share capital of LTE) to subscribe for a one-year zero coupon secured exchangeable bond ("Bond") in a principal amount of US$5 million to be issued by LTE on the shares of MAP owned by LTE, representing 5% (7.5% in case of the maturity date being extended for one year under mutual agreement by Able Point and LTE) of the total issued and paid-up capital of MAP on a fully diluted basis on the date of the exchange rights are being exercised (the "Subscription").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

25. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Simultaneously with the signing of the Subscription Agreement, the Company, LTE, and Able Point agree that the MOU shall be terminated automatically and that neither the Company nor LTE shall have any further obligation under the MOU. It was further agreed that the Security Deposit was used to offset against the consideration of the Subscription.

Completion of the Subscription took place on the same day of the signing of the Subscription Agreement.

The Subscription constitutes a discloseable transaction to the Company pursuant to Chapter 14 of the Listing Rules and the details of which are set out in the Company's announcement dated 30th May 2012.

26. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2012** ***US$'000***	2011 *US$'000*
Non-current asset			
Investments in subsidiaries		**1**	1
Current assets			
Deposits and prepayments		**5,000**	2
Amounts due from subsidiaries	*(a)*	**4,577**	3,692
Bank balances and cash		**23,975**	30,785
		33,552	34,479
Current liability			
Accruals and other payables		**247**	31
Net current assets		**33,305**	34,448
Total assets less current liabilities		**33,306**	34,449
Capital and reserves			
Share capital		**440**	440
Reserves	*(b)*	**32,866**	34,009
Total equity		**33,306**	34,449

Notes:

(a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

26. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(b) The reserves movements of the Company

	Contributed surplus* US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2010	15,088	16,486	31,574
Profit and total comprehensive income for the year	—	2,435	2,435
At 31st March 2011 and 1st April 2011	15,088	18,921	34,009
Loss and total comprehensive expense for the year	—	(1,143)	(1,143)
At 31st March 2012	15,088	17,778	32,866

* Contributed surplus was arising from the group reorganisation in previous years. Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances as provided in the Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

27. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name	Place of incorporation/ operations	Principal activity	Issued share capital	Group's effective equity Interests 2012	2011
China Compass Investments Limited	BVI/Hong Kong	Investment holding	1,000 ordinary shares of US$1 each	**100%[1]**	100%[1]
Brave Win Industries Limited	Hong Kong	Inactive	21,000,000 ordinary shares of HK$1 each and 9,000,000 non-voting deferred shares of HK$1 each	**100%**	100%
TP Industrial Limited	BVI/the PRC	Manufacture of sole units	100 ordinary shares of US$1 each	**100%**	100%
Ultimate Sky Limited[2]	BVI/Hong Kong	Investment holding	1 ordinary share of US$1 each	**100%[1]**	—
Able Diamond Limited[2]	Hong Kong/ Hong Kong	Provision of management services	2,000,000 ordinary shares of HK$1 each	**100%**	—

1 directly held by the Company
2 newly incorporated during the year

None of the subsidiaries had issued any debt securities subsisting as at 31st March 2012 and 2011 or any time during both the years.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31st March				
	2012	2011	2010	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	**27,967**	29,099	18,082	64,275	94,612
(Loss) profit before tax	**(1,543)**	845	2,295	3,271	(4,070)
Income tax expense	**—**	(48)	—	(3,009)	—
(Loss) profit for the year attributable to owners of the Company	**(1,543)**	797	2,295	262	(4,070)

ASSETS AND LIABILITIES

	As at 31st March				
	2012	2011	2010	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**39,192**	41,241	38,086	53,133	61,880
Total liabilities	**(4,026)**	(4,532)	(2,166)	(6,411)	(15,305)
Total equity	**35,166**	36,709	35,920	46,722	46,575