



ARES ASIA
安 域 亞 洲



Ares Asia Limited
安域亞洲有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 645

Interim Report
2013/2014

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CORPORATE INFORMATION

Ares Asia Limited

(Incorporated in Bermuda with limited liability)

DIRECTORS

Adwin Haryanto SURYOHADIPROJO (*Chairman*)

CHUA Chun Kay

Junaidi YAP

LAM Pun Yuen, Frank¹

NGAN Hing Hon¹

YEUNG Kin Bond, Sydney¹

¹ *Independent non-executive directors*

COMPANY SECRETARY

POON Kin Yee

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

KPMG

LEGAL ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
(Asia) Limited

The Hongkong and Shanghai Banking
Corporation Limited

Standard Chartered Bank

COMPANY WEBSITES

www.aresasiatd.com

www.irasia.com/listco/hk/aresasia

STOCK CODE

645

The board (the “Board”) of directors (the “Directors”) of Ares Asia Limited (the “Company”) is pleased to present the interim report and unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Unaudited Six months ended 30 September	
	Note	2013 US\$'000	2012 US\$'000 (restated (note 7))
Continuing operation			
Turnover	3	60,693	—
Cost of sales		(59,772)	—
Gross profit		921	—
Other revenue	4	10	81
Other net loss	4	(6,014)	—
Selling and distribution expenses		(153)	—
Administrative expenses		(1,434)	(1,408)
Loss before taxation	5	(6,670)	(1,327)
Income tax	6	—	—
Loss from continuing operation		(6,670)	(1,327)
Discontinued operation			
Loss from discontinued operation	7	(82)	(3,363)
Loss and total comprehensive income for the period		(6,752)	(4,690)
Loss per share			
Basic and diluted	9		
— Continuing operation		(1.96) cent	(0.39) cent
— Discontinued operation		(0.02) cent	(0.99) cent
		(1.98) cent	(1.38) cent

The notes on pages 7 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Note	Unaudited At 30 September 2013 US\$'000	Audited At 31 March 2013 US\$'000
Non-current assets			
Property, plant and equipment	10	237	296
Intangible asset	11	357	—
		<u>594</u>	<u>296</u>
Current assets			
Financial asset designated at fair value through profit or loss	12	—	6,014
Trade and other receivables	13	251	693
Cash and cash equivalents	14	23,683	25,047
		<u>23,934</u>	<u>31,754</u>
Current liabilities			
Other payables and accrued expenses		271	1,041
Current taxation		48	48
		<u>319</u>	<u>1,089</u>
Net current assets		<u>23,615</u>	<u>30,665</u>
Net assets		<u>24,209</u>	<u>30,961</u>
Capital and reserves			
Share capital		440	440
Reserves		23,769	30,521
Total equity		<u>24,209</u>	<u>30,961</u>

The notes on pages 7 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

For the six months ended 30 September 2013

	Unaudited				
	Share Capital US\$'000	Contributed surplus US\$'000	Share option reserve US\$'000	Retained profits US\$'000	Total US\$'000
Balance at 1 April 2013	440	15,088	51	15,382	30,961
Loss and total comprehensive income for the period	—	—	—	(6,752)	(6,752)
Balance at 30 September 2013	440	15,088	51	8,630	24,209

For the six months ended 30 September 2012

	Unaudited				
	Share Capital US\$'000	Contributed surplus US\$'000	Share option reserve US\$'000	Retained profits US\$'000	Total US\$'000
Balance at 1 April 2012	440	15,088	—	19,638	35,166
Loss and total comprehensive income for the period	—	—	—	(4,690)	(4,690)
Balance at 30 September 2012	440	15,088	—	14,948	30,476

The notes on pages 7 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2013

		Unaudited Six months ended 30 September	
		2013	2012
		US\$'000	US\$'000
	Note		
Net cash used in operating activities		(1,014)	(1,974)
Net cash used in investing activities		(350)	(108)
Net decrease in cash and cash equivalents		(1,364)	(2,082)
Cash and cash equivalents at 1 April	14	25,047	25,826
Cash and cash equivalents at 30 September	14	23,683	23,744

The notes on pages 7 to 24 form part of this interim financial report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2013 (“Interim Financial Statements”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 – “*Interim financial reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 November 2013.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2013 that is included in the Interim Financial Statements as being previously reported information do not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2013 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 June 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 10 – “*Consolidated financial statements*”
- HKFRS 13 – “*Fair value measurement*”
- “*Annual Improvements to HKFRSs 2009 – 2011 Cycle*”

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 10 – “Consolidated financial statements”

HKFRS 10 replaces the requirements in HKAS 27 – “*Consolidated and separate financial statements*” relating to the preparation of consolidated financial statements and HK-SIC 12 – “*Consolidation – Special purpose entities*”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 13 – “Fair value measurement”

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the Interim Financial Statements. The Group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

Annual Improvements to HKFRSs 2009 – 2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (“CODM”) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT REPORTING

(a) *Turnover*

The Group is principally engaged in the coal trading business.

The Group was also engaged in the manufacturing and sale of footwear products during the six months ended 30 September 2012, which have been classified as discontinued operation (see note 7). Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000 (restated)
Continuing operation		
Sale of coal	60,693	—
Discontinued operation		
Manufacturing and sale of footwear products	—	10,995
	60,693	10,995

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

In the prior period, the Group had one operating and reportable segment as the Group's revenue and contribution to results were primarily attributable to the manufacturing and sale of footwear products. In January 2013, the Group discontinued the footwear business. Further, the Group commenced the coal trading business in October 2012.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group had two reportable segments for the current period – coal trading and footwear business, which are classified as continuing operation and discontinued operation (note 7) respectively. No operating segments have been aggregated to form the reportable segments. Amounts reported for the prior period have been restated to reflect the change in basis of presentation.

Continuing operation

– Coal trading : Sale of coal

Discontinued operation

– Footwear business : Manufacturing and sale of footwear products

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	For the six months ended 30 September					
	2013			2012		
	Continuing operation	Discontinued operation		Continuing operation	Discontinued operation	
	Coal trading US\$'000	Footwear business US\$'000	Total US\$'000	Coal trading US\$'000	Footwear business US\$'000	Total US\$'000
Revenue						
Reportable segment revenue	60,693	–	60,693	–	10,995	10,995
Results						
Reportable segment results (EBIT)	259	(82)	177	–	(3,363)	(3,363)
Net unrealised loss on financial asset designated at fair value through profit or loss			(6,014)			–
Unallocated head office and corporate expenses			(915)			(1,327)
Consolidated loss for the period			(6,752)			(4,690)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	As at 30 September 2013			As at 31 March 2013		
	Continuing operation	Discontinued operation	Total US\$'000	Continuing operation	Discontinued operation	Total US\$'000
	Coal trading US\$'000	Footwear business US\$'000		Coal trading US\$'000	Footwear business US\$'000	
Assets						
Segment assets	24,455	17	24,472	25,462	533	25,995
Financial asset designated at fair value through profit or loss			–			6,014
Unallocated head office and corporate assets			56			41
Consolidated total assets			24,528			32,050
Liabilities						
Segment liabilities	167	48	215	794	176	970
Unallocated head office and corporate liabilities			104			119
Consolidated total liabilities			319			1,089

The measure used for reporting segment result is “EBIT” i.e. “adjusted earnings before interest and taxes” of individual segment. To arrive at EBIT the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Revenue from external customers	
	Six months ended 30 September	
	2013	2012
	US\$'000	US\$'000
		(restated)
Continuing operation		
The People's Republic of China ("PRC")	60,693	—
Discontinued operation		
The PRC	—	10,793
Asia (other than the PRC)	—	202
	—	10,995
	60,693	10,995

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000 (restated)
Other revenue		
<i>Continuing operation</i>		
Bank interest income	10	4
Others	—	77
	10	81

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000 (restated)
Other net (loss)/income		
<i>Continuing operation</i>		
Net unrealised loss on financial asset designated at fair value through profit or loss (<i>note 12</i>)	(6,014)	—
<i>Discontinued operation</i>		
Scrap sales	—	85
Net foreign exchange loss	—	(2)
Gain on disposal of property, plant and equipment	—	2
	—	85
	(6,014)	85

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000 (restated)
<i>Continuing operation</i>		
Depreciation	62	41
Staff costs	928	946
Cost of inventories	58,893	—
<i>Discontinued operation</i>		
Depreciation	—	37
Staff costs	29	2,838
Cost of inventories	—	11,251

6. INCOME TAX

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2013 and 2012 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DISCONTINUED OPERATION

The Group ceased the operation of its footwear business in January 2013. Accordingly, the operating results of the footwear business for the period ended 30 September 2013 are presented as discontinued operation. The presentation of comparative information in respect of the period ended 30 September 2012 has been reclassified to conform to the current period's presentation.

Results of the discontinued operation:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Revenue	—	10,995
Cost of sales	—	(11,251)
Other net income	—	85
Selling and distribution expenses	—	(84)
Administrative expenses	(82)	(853)
Restructuring costs	—	(2,255)
	<hr/>	<hr/>
Loss before taxation	(82)	(3,363)
Income tax	—	—
	<hr/>	<hr/>
Loss for the period	(82)	(3,363)

8. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. LOSS PER SHARE

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$6,752,000 (six months ended 30 September 2012: US\$4,690,000) and the weighted average of 340,616,934 ordinary shares (six months ended 30 September 2012: 340,616,934 ordinary shares) in issue during the period.

(b) *Diluted loss per share*

The calculation of diluted loss per share is the same as basic loss per share for the six months ended 30 September 2013 and 2012 as there were no dilutive potential ordinary shares during that period.

10. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$3,000 (six months ended 30 September 2012: US\$110,000) on additions to property, plant and equipment for the six months ended 30 September 2013.

11. INTANGIBLE ASSET

The balance as at 30 September 2013 represented a club membership.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. FINANCIAL ASSET DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2013 US\$'000	At 31 March 2013 US\$'000
At fair value:		
Overseas unlisted exchangeable bond	—	6,014

As disclosed in the Company's announcements dated 30 May 2012 and 22 March 2013, Able Point Corporation Limited ("Able Point"), an indirectly wholly-owned subsidiary of the Company, entered into a subscription agreement ("Subscription Agreement") and a supplemental agreement ("Supplemental Agreement") on 30 May 2012 and 22 March 2013 respectively with PT Langit Timur Energy ("LTE"), PT Mandiri Arya Persada ("MAP", a non-wholly owned subsidiary of LTE which holds certain coal concessions in Indonesia) and PT Lintas Sanjaya, the non-controlling shareholder of LTE, to subscribe for a one year zero coupon secured exchangeable bond in a principal amount of US\$5,000,000 issued by LTE ("Exchangeable Bond"). The Exchangeable Bond could be extended for one year if mutually agreed by LTE and Able Point.

Subject to certain conditions as stipulated in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), Able Point can exercise the right to exchange the Exchangeable Bond into shares of MAP (the "Underlying Shares"). The equity interests of the Underlying Shares in MAP had been increased from 5% to 70% of the total issued and paid up capital of MAP on a fully diluted basis as agreed in the Supplemental Agreement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. FINANCIAL ASSET DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

LTE can redeem the Exchangeable Bond at any time prior to the maturity and the redemption price is fixed at approximately US\$6,084,000, representing a redemption premium of 21.6888% throughout the one-year period. In the case of the maturity date being extended for one year, the redemption price will be calculated based on a redemption premium of 41% on an accrual basis on the total outstanding principal amount of the Exchangeable Bond, starting from the first anniversary of the date of the issue of the Exchangeable Bond. Unless previously redeemed or converted, LTE shall redeem the Exchangeable Bond at 100% principal amount plus the redemption premium at maturity.

On 29 May 2013, LTE and Able Point agreed to extend the maturity date of the Exchangeable Bond to 29 May 2014 pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

Subsequent to the last reporting period, it was reported that the exploration results of MAP's coal concessions were not satisfactory. As a consequence, LTE and MAP faced significant financial difficulties and all the exploration activities of the underlying coal concessions were suspended. Given there is no further funding made available to MAP to support further exploration and evaluation activities, it is the intention of MAP to return the coal concessions to the relevant government authorities. As a result, it casts significant doubt on the going concern of LTE and MAP, and the ability of LTE to redeem the Exchangeable Bond when it reaches the maturity date.

During the six months ended 30 September 2013, the Group recognised net unrealised loss on financial asset designated at fair value through profit or loss of US\$6,014,000 and the Exchangeable Bond was stated at nil at 30 September 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE AND OTHER RECEIVABLES

Included in "Trade and other receivables" are trade debtors with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	At 30 September 2013 <i>US\$'000</i>	At 31 March 2013 <i>US\$'000</i>
Within 30 days	<u>50</u>	<u>—</u>

The credit terms offered to customers of coal trading business are negotiated on a case-by-case basis. Deposits are usually required and the remaining balance is payable within 2 days after the customers received all the documents as stipulated in the sales agreements.

14. CASH AND CASH EQUIVALENTS

	At 30 September 2013 <i>US\$'000</i>	At 31 March 2013 <i>US\$'000</i>
Deposits with banks	9,700	5,004
Cash at bank and in hand	<u>13,983</u>	<u>20,043</u>
	<u>23,683</u>	<u>25,047</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) *Financial assets measured at fair value*

(i) *Fair value hierarchy*

At 30 September 2013, the Group's financial asset designated at fair value through profit or loss stated at nil (31 March 2013: US\$6,014,000) falls into Level 3 of the fair value hierarchy.

(ii) *Information about Level 3 fair value measurements*

The fair value of the Exchangeable Bond is estimated using an appropriate combination of (1) effective interest method; (2) open market value by reference to comparable market transactions adjusted to reflect the specific circumstances of the underlying exchangeable equity interests of the bond; and (3) Black-Scholes model with Trinomial Tree method. The significant unobservable inputs of the fair value measurement include credit risk of the Exchangeable Bond, the expected cash flows from the Exchangeable Bond and risk adjustment to the specific circumstances of the underlying exchangeable equity interests of the bond. Due to the circumstances as discussed in note 12, no cash flows are expected to be received from the bond and it is anticipated that the equity conversion has no value due to the going concern issues.

As the fair value of the Exchangeable Bond was nil as at 30 September 2013, the Directors considered that it is not meaningful to present a sensitivity analysis on the changes in unobservable inputs used in the calculation of the fair value of the Exchangeable Bond.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial assets measured at fair value (Continued)*

(ii) *Information about Level 3 fair value measurements (Continued)*

The movement in the balance of Level 3 financial instruments is as follows:

	Financial asset designated at fair value through profit or loss	
	US\$'000	US\$'000
At 1 April 2013/2012	6,014	—
Purchases	—	5,000
(Loss)/gain on fair value change recognised in profit or loss	(6,014)	1,014
At 30 September/31 March 2013	—	6,014

(b) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2013 and 31 March 2013 because of the immediate or short term maturity of the financial instruments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. OPERATING LEASE COMMITMENT

At 30 September 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2013 US\$'000	At 31 March 2013 US\$'000
Within 1 year	290	290
After 1 year but within 5 years	36	181
	<u>326</u>	<u>471</u>

The Group is the lessee in respect of its office premise held under operating lease. The lease runs for an initial period of three years with options to renew the lease when all terms are renegotiated. The lease does not include contingent rentals.

17. MATERIAL RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 September 2013 US\$'000	2012 US\$'000
Salaries and other short-term employee benefits	584	993
Retirement scheme contributions	3	1
	<u>587</u>	<u>994</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Continuing operation

The performance of our coal trading business, which commenced in October 2012, was satisfactory with turnover of US\$60.7 million. This represented a 36% increase compared with turnover of US\$44.6 million for the six month period from October 2012 (launch of our coal trading business) to March 2013. Gross profit of US\$0.9 million for the period under review was comparable to that for the six months period from October 2012 to March 2013 of US\$0.8 million. During the period, the Group continued to sell thermal coal originated from Indonesia and Australia to China with a total volume of approximately 880,000 metric tonnes.

Selling, distribution and administrative expenses consisted primarily of staff costs, rental and corporate expenses which amounted to approximately US\$1.6 million for the current period as compared with US\$1.4 million for the corresponding period last year. The increase was a reflection of the launch of our coal trading business in October 2012 which was subsequent to the corresponding period last year.

Loss from the continuing operation was approximately US\$6.7 million. Excluding the fair value loss of approximately US\$6.0 million on the Exchangeable Bond (which is further analysed in "EXCHANGEABLE BOND" below), loss from the continuing operation would be US\$0.7 million, which was significantly narrowed as compared to US\$1.3 million of the same reporting period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS *(Continued)*

Discontinued operation

The Group's footwear manufacturing business was discontinued in January 2013. The loss from discontinued operation of approximately US\$82,000 comprised of miscellaneous office overheads incurred during the period under review.

PROSPECT

Looking ahead, the Group will continue to expand and grow the scale of its coal trading business. Coupled with the strong positive outlook for demand on thermal coal in China and other Asian countries, our dedicated coal trading team has further expanded our network of overseas suppliers to ensure a long-term stable supply of quality products. In line with the Company's announcement dated 13 November 2013, the Group entered into long term coal sale and purchase agreements with a marketing agent of top coal miners in Indonesia and secured the supply of quality thermal coal for a period up to 30 June 2015. This long term agreement provides us with a solid platform for a sustainable long term growth in the Group's financial and operating performance.

Reference is made to our announcements made on 23 August 2013 in respect of a potential disposal of the Company's interests in its footwear manufacturing business and on 23 October 2013 in respect of a potential early termination of several lease agreements for the use of the land and factory premises located at Xiaobian district, Changan, Dongguan, the PRC. The Board is still considering the relevant proposals and no decision has been made as at the date of the Interim Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGEABLE BOND

On 30 May 2012, Able Point, an indirectly wholly-owned subsidiary of the Company subscribed the Exchangeable Bond with a principal amount of US\$5,000,000 issued by LTE. The Exchangeable Bond can be converted to 5%, which has been increased to 70% pursuant to the supplemental agreement entered into between Able Point and LTE on March 2013, of the shares of the total issued and paid up capital of MAP, a non-wholly owned subsidiary of LTE who holds certain coal concessions in Indonesia, on a fully diluted basis. The maturity date of the Exchangeable Bond was being extended to 29 May 2014.

A fair value gain of US\$1,014,000 was recognised during the year ended 31 March 2013 resulting in a reported fair value of US\$6,014,000 as at 31 March 2013.

Based on the latest development on the project, the proven reserves of MAP's coal concessions are not commercially justifiable to sustain the continuing coal operations in Indonesia. In addition, the Group has been informed that LTE is unable to redeem the Exchangeable Bond in accordance with the agreed timeframe due to the deteriorating financial and business conditions of both MAP and LTE.

To reflect the uncertainty surrounding the recovery of the Group's investment, the Exchangeable Bond was stated at nil at 30 September 2013 and a fair value loss of US\$6,014,000 was recorded for the six months ended 30 September 2013.

The Group is currently assessing various options in order to recover the Group's investment loss in the Exchangeable Bond.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

We continue our conservative positioning in managing the Group's working capital.

The Group's financial and liquidity position continued to be strong, remaining debt-free as at 30 September 2013. The Group has net current assets of US\$23.6 million as at 30 September 2013 with cash on hand and at banks amounting to approximately US\$23.7 million as compared to US\$25.0 million as at 31 March 2013.

As always, the Group implements tight control on its credit and collection policies. For the coal trading business, deposits are usually required and the remaining balance is payable within 2 days after the customers receive all documents as stipulated in the sale and purchase agreements. There were immaterial outstanding trade receivables and no trade payables from both continuing operation and discontinued operation as at 30 September 2013 and the Group has not experienced any significant bad debts in the past.

The Group generally relies on its internally generated cash flows and the existing trade facilities to finance its day to day operations. There are no present plans for material capital expenditures and we believe that the Group has adequate liquidity to meet its current and future working capital requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK OF CURRENCY FLUCTUATIONS

The Group's assets and liabilities as well as the income and expenses derived from both the continuing operation and discontinued operation are mainly denominated in Hong Kong Dollars, United States Dollars (i.e. functional currency of the Company and its subsidiaries) and Renminbi.

There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. Currently, the Group has no hedging arrangement for foreign currencies and has not entered into any financial derivatives arrangement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, 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 ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity	Number of shares held/ interested	Approximate percentage of issued shares
CHUA Chun Kay ("Mr. CHUA")	Beneficial owner and interest of a controlled company (Note)	209,707,416	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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(ii) Interests in underlying shares

A Director has been granted options under the share option scheme of the Company adopted on 21 September 2012 (the "2012 Scheme"), details of which are set out in the section headed "Share Option Scheme" in the report.

Save as disclosed above, as at 30 September 2013, none of the Directors, chief executives of the Company nor their associates had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The 2012 Scheme was adopted by the Company on 21 September 2012. Pursuant to the 2012 Scheme, the Directors may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. The purpose of the 2012 Scheme is to provide eligible participants with an opportunity to acquire proprietary interests in the Company, which the Directors believe would help the Company to attract and retain high caliber personnel who have made contributions to the success of the Company, and would also help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME *(Continued)*

The number of share options which may be granted under the 2012 Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The maximum number of unexercised share options under the 2012 Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company at any time. The maximum number of options issued to each participant under the 2012 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of the limit is subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The exercise price must be at least the higher of: (a) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately preceding the date of grant; and (c) the nominal value of the Company's shares.

A nominal consideration of HK\$1 is payable by the grantee upon acceptance of an option.

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period to be determined and notified by the Directors to each grantee of the option, which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant of the option. The Directors may at their sole discretion determine the minimum period for which the option has to be held or other restrictions before the exercise of the option.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME *(Continued)*

As at 30 September 2013, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Scheme was 1,500,000, representing approximately 0.44% of the shares of the Company in issue and details of which were as follows:

Name of participant	Category of participant	Grant Date	Exercisable Period	Exercise price (HK\$)	Number of share options granted as at 30 September 2013
Junaidi YAP	Director	25 October 2012	25 October 2012 to 23 October 2015	0.63	1,500,000

The vesting period of the share options granted is determined by the Directors at each time when the options are granted. The aforesaid shares options are beneficially owned by the Director concerned and are vested at the date of grant. The closing price of the Company's shares on 25 October 2012, the date of grant was HK\$0.63.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2013.

Save as disclosed above, at no time during the period was the Company or its subsidiary companies a party to any arrangement to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 September 2013, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholder's interests who's interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Capacity	Number of shares held/ interested	Approximate percentage of issued shares
Star Crown Capital Ltd	Corporate (<i>note</i>)	209,707,416	61.57%

Note:

Such interests have been disclosed as interests of Mr. CHUA in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed herein, as of 30 September 2013, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICY

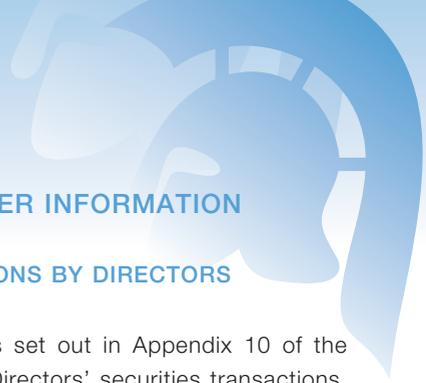
As at 30 September 2013, the Group had a total of 13 (31 March 2013: 14) full time employees in Hong Kong. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual's and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include share option scheme, provident fund schemes and bonus on performance basis.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the period ended 30 September 2013, except for the following deviations.

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 Company's Bye-laws.

Code Provision A.6.7 provides, inter alia, that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. YEUNG Kin Bond, Sydney, the independent non-executive Director was unable to attend the annual general meeting of the Company held on 19 September 2013 due to prior business engagement.



CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. All the members of the Board have confirmed that, following specific enquiries made by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2013.

AUDIT COMMITTEE

The audit committee comprises all the three independent non-executive Directors, namely Mr. NGAN Hing Hon (Chairman), Mr. LAM Pun Yuen, Frank and Mr. YEUNG Kin Bond, Sydney.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Interim Financial Statements for the six months ended 30 September 2013.

APPRECIATION

The Board would like to take this opportunity to express our sincere thanks to our shareholders and all other associates for their supports and to our staff for their commitment and diligence during the period.

On behalf of the Board

Adwin Haryanto SURYOHADIPROJO

Chairman

Hong Kong, 29 November 2013