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
2015/2016

CONTENTS

CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

Executive Directors

Mr. ZHENG Yong Sheng *(Chairman)*
Mr. RAN Dong
Mr. CHAN Tsang Mo

Independent Non-executive Directors

Mr. CHANG Tseng Hsi, Jesse
Mr. NGAN Hing Hon
Mr. YEUNG Kin Bond, Sydney

COMPANY SECRETARY

Mr. Chu Kin Ming
(appointed on 27 November 2015)
Mr. Chau Kwok Ming
(resigned on 27 November 2015)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 96, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong Law
Michael Li & Co.

As to Bermuda Law
Codan Services Limited

PRINCIPAL BANKERS

Société Générale Corporate & Investment Banking
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPANY WEBSITES

www.aresasialtd.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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015
(Expressed in United States dollars)

		Unaudited Six months ended 30 September	
	Note	**2015** **$'000**	2014 $'000
Continuing operation			
Revenue	*3*	**9,189**	75,082
Cost of sales		**(9,114)**	(73,667)
Gross profit		**75**	1,415
Other income	*4*	**25**	12
Selling expenses		**(88)**	(210)
Administrative expenses		**(891)**	(1,337)
Finance costs		**—**	(32)
Loss before taxation	*5*	**(879)**	(152)
Income tax	*6*	**—**	(90)
Loss from continuing operation		**(879)**	(242)
Discontinued operation	*7*		
Profit from discontinued operation		**—**	3,203
(Loss)/profit and total comprehensive income for the period		**(879)**	2,961
(Loss)/earnings per share			
Basic and diluted	*9*		
— Continuing operation		**(0.26) cent**	(0.07) cent
— Discontinued operation		**—**	0.94 cent
		(0.26) cent	0.87 cent

The notes on pages 7 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015
(Expressed in United States dollars)

	Note	Unaudited At 30 September 2015 $'000	Audited At 31 March 2015 $'000
Non-current assets			
Property, plant and equipment		**88**	116
Intangible asset		**—**	330
Prepayments	*10*	**10,873**	11,013
		10,961	11,459
Current assets			
Trade and other receivables	*10*	**965**	28,161
Cash and cash equivalents		**12,194**	12,531
		13,159	40,692
Current liabilities			
Other payables and accrued expenses		**388**	621
Discounted bills with recourse		**—**	26,919
Current taxation		**114**	114
		502	27,654
Net current assets		**12,657**	13,038
Net assets		**23,618**	24,497
Capital and reserves			
Share capital		**441**	441
Reserves		**23,177**	24,056
Total equity		**23,618**	24,497

The notes on pages 7 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015
(Expressed in United States dollars)

For the six months ended 30 September 2015

	Unaudited					
	Share Capital $'000	Share premium account $'000	Contributed surplus $'000	Share option reserve $'000	Retained profits $'000	Total $'000
Balance at 1 April 2015	441	172	15,088	–	8,796	24,497
Loss and total comprehensive income for the period	–	–	–	–	(879)	(879)
Balance at 30 September 2015	441	172	15,088	–	7,917	23,618

For the six months ended 30 September 2014

	Unaudited					
	Share Capital $'000	Share premium account $'000	Contributed surplus $'000	Share option reserve $'000	Retained profits $'000	Total $'000
Balance at 1 April 2014	440	–	15,088	51	7,218	22,797
Profit and total comprehensive income for the period	–	–	–	–	2,961	2,961
Balance at 30 September 2014	440	–	15,088	51	10,179	25,758

The notes on pages 7 to 20 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2015
(Expressed in United States dollars)

	Unaudited Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Operating activities		
Decrease/(increase) in trade and other receivables	**27,336**	(35,798)
Other cash flows (used in)/arising from operating activities	**(1,096)**	2,876
Net cash generated from/(used in) operating activities	**26,240**	(32,922)
Investing activities		
Proceeds from disposal of discontinued operation (net of cash disposed of)	**—**	3,192
Proceeds from disposal of intangible asset	**330**	—
Other cash flows arising from investing activities	**12**	12
Net cash generated from investing activities	**342**	3,204
Financing activities		
(Decrease)/increase in discounted bills with recourse	**(26,919)**	32,838
Net cash (used in)/generated from financing activities	**(26,919)**	32,838
Net (decrease)/increase in cash and cash equivalents	**(337)**	3,120
Cash and cash equivalents at 1 April	**12,531**	9,363
Cash and cash equivalents at 30 September	**12,194**	12,483

The notes on pages 7 to 20 form part of this interim financial report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in United States dollars)

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015 (the "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 (the "HKICPA"). It was authorised for issue on 27 November 2015.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2014/15 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015/16 annual financial statements. Details of any changes in accounting polices are set out in note 2.

The preparation of an interim financial report 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 report contains 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 2014/15 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 Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 March 2015 that is included in the Interim Financial Statements as being previously reported information does 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 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2015.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group and the Company.

— *Annual Improvements to HKFRSs 2010-2012 Cycle*

— *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the coal trading business. Revenue represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes.

(b) Segment reporting

The Group commenced the coal trading business in October 2012 and discontinued the footwear business in January 2013.

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 — coal trading and footwear business, which are classified as continuing operation and discontinued operation (see note 7) respectively. No operating segments have been aggregated to form the reportable segments.

Continuing operation

— Coal trading : Sale of coal

Discontinued operation

— Footwear business : Manufacturing and sale of footwear products

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) *Segment reporting* (Continued)

(i) *Information about profit or loss, 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					
	2015			2014		
	Continuing operation	Discontinued operation		Continuing operation	Discontinued operation	
	Coal trading $'000	Footwear business $'000	Total $'000	Coal trading $'000	Footwear business $'000	Total $'000
Revenue						
Reportable segment revenue	9,189	–	9,189	75,082	–	75,082
Results						
Reportable segment results (EBIT)	(505)	–	(505)	583	3,203	3,786
Unallocated head office and corporate expenses			(374)			(703)
Finance costs			–			(32)
Consolidated (loss)/profit before taxation			(879)			3,051

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) ***Segment reporting*** *(Continued)*

(i) Information about profit or loss, assets and liabilities (continued)

	As at 30 September 2015			As at 31 March 2015		
	Continuing operation	Discontinued operation		Continuing operation	Discontinued operation	
	Coal trading	Footwear business	Total	Coal trading	Footwear business	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Assets						
Segment assets	24,087	–	24,087	52,113	–	52,113
Unallocated head office and corporate assets			33			38
Consolidated total assets			24,120			52,151
Liabilities						
Segment liabilities	386	–	386	27,543	–	27,543
Unallocated head office and corporate liabilities			116			111
Consolidated total liabilities			502			27,654

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.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) ***Segment reporting*** *(Continued)*

(ii) Geographical information

All of the Group's revenue from external customers was derived from customers based in the PRC (excluding Hong Kong), i.e. the location at which the goods delivered.

All of the Group's property, plant and equipment are physically located in Hong Kong. The intangible asset and the non-current portion of prepayments were allocated also to Hong Kong which is the location of operation of the Group.

4 OTHER INCOME

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Continuing operation		
Bank interest income	**21**	13
Net foreign exchange gain/(loss)	**2**	(1)
Others	**2**	—
Total	**25**	12

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Continuing operation		
Depreciation	**37**	64
Staff costs	**466**	924
Cost of inventories	**9,114**	68,340

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	**—**	90

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the profit before taxation for the six months ended 30 September 2015 and 2014. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7 DISCONTINUED OPERATION

The Group ceased the operation of its footwear business in January 2013. Accordingly, the operating results of the footwear business are presented as discontinued operation. Further, as disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement with Landway Investments Limited ("Landway"), a company wholly-owned by a director of Brave Win Industries Limited ("Brave Win") to dispose of (i) 1 share of Brave Win, representing 0.0000033% of the total issued share capital of Brave Win; (ii) 1,000 shares of China Compass Investments Limited ("China Compass"), representing the entire issued share capital of China Compass; and (iii) the unsecured and interest free shareholder's loan in the principal amount of $1,579,000 owed by China Compass to the Company, at a consideration of $3,200,000 (the "Disposal"). The Disposal was completed on 10 April 2014 and a gain on disposal of $3,203,000 was recognised during the six months ended 30 September 2014.

7 DISCONTINUED OPERATION *(Continued)*

Results of the discontinued operation:

	Period from 1 April 2014 to 10 April 2014 *$'000*
Profit before taxation	–
Income tax	–
Profit from operation	–
Gain on disposal of discontinued operation	3,203
Profit for the period	3,203

8 DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $879,000 (six months ended 30 September 2014: profit of $2,961,000) and the weighted average of 342,116,934 ordinary shares (six months ended 30 September 2014: 340,616,934 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted loss per share for the six months ended 30 September 2015 is the same as that of basic loss per share as there were no dilutive potential ordinary shares during the period.

The calculation of diluted (loss)/earnings per share for the six months ended 30 September 2014 is based on the profit attributable to ordinary equity shareholders of the Company of $2,961,000 and the weighted average number of 341,407,268 ordinary shares after adjusting of all dilutive potential ordinary shares under the Company's share option scheme.

10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 September 2015	At 31 March 2015
	$'000	*$'000*
More than 1 month but within 2 months	**–**	8,741
More than 2 months but within 3 months	**–**	18,178
Trade debtors and bills receivable	**–**	26,919
Prepayments and other receivables	**11,838**	12,255
	11,838	39,174
Less: Non-current portion of prepayments	**(10,873)**	(11,013)
	965	28,161

10 TRADE AND OTHER RECEIVABLES *(Continued)*

The credit terms offered to customers of coal trading business are negotiated on a case-by-case basis. Irrevocable letters of credit, up to a tenor of 90 days after the receipt of the required documents by nominated banks, are usually required not later than 14 days prior to the expected date of vessel's arrival at loading port as stipulated in the sales agreements.

Based on past experience, management believes that no impairment allowance is necessary in respect of trade debtors and bills receivable as at 31 March 2015 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 March 2015.

During the year ended 31 March 2014, the Group entered into coal sale and purchase agreements (the "Agreements", as defined hereinafter) with a marketing agent (the "Original Supplier") of certain top coal miners in Indonesia. Under the Agreements, the Group made prepayments of $13,000,000 to the Original Supplier to secure long-term supply of thermal coal from the relevant coal miners. The prepayment would be recovered by deducting a pre-agreed amount per metric tonne of coal purchased by the Group.

10 TRADE AND OTHER RECEIVABLES *(Continued)*

In July 2015, the Group, the Original Supplier and another agent of the two top coal miners in Indonesia (the "New Supplier") entered into a deed of transfer and amendment (the "Deed"), pursuant to which the Original Supplier transferred certain of its rights, titles and interest in and to the Agreements (as defined hereinafter) to the New Supplier, and amended certain terms of the Agreements (as defined hereinafter).

As at 30 September 2015, the unutilised prepayment of $11,576,000 (31 March 2015: $11,576,000) was included in "Prepayments and other receivables". The prepayment that was estimated to be recovered after more than one year was $10,873,000 (31 March 2015: $11,013,000) which is recognised as non-current asset accordingly. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

11 OPERATING LEASE COMMITMENT

As at 30 September 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2015	At 31 March 2015
	$'000	*$'000*
Within 1 year	**374**	374
After 1 year but within 5 years	**394**	582
	768	956

The Group is the lessee in respect of its office premise held under operating lease from a fellow subsidiary. 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.

12 MATERIAL RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Salaries and other short-term employee benefits	**155**	631
Retirement scheme contributions	**1**	4
	156	635

(b) Transaction with fellow subsidiary

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Rental expenses, building management fee and utility charges	**198**	–

REVIEW OF OPERATIONS

- ### Continuing Operation

The Group continues to operate its coal trading business during the six-month period from April 2015 to September 2015. The performance has declined with a turnover of US$9.19 million, representing a year-on-year decrease of 88% or US$65.89 million. During the reporting period, the Group sold PCI coal originated from Australia to China, with a total volume of approximately 98 thousand metric tonnes ("MT") as compared with approximately 1.10 million MT in the corresponding period of last year.

Selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US$0.98 million for the current period, which decreased by US$0.57 million comparing to US$1.55 million in the corresponding reporting period of last year. The decrease was mainly due to the lowered employee benefits expenses as a result of a change in management.

Loss before taxation from continuing operation was approximately US$0.88 million for the six-month period ended 30 September 2015 as compared with a loss of US$0.15 million for the corresponding reporting period of last year. Loss before taxation from continuing operation of this reporting period widened by US$0.73 million. The decrease was the reflection of the weakened coal trading business.

- ### Discontinued Operation

The discontinued operation represented the footwear manufacturing business. As disclosed in the Company's annual report for the year ended 31 March 2015 and the announcement dated 26 February 2014, the Group has disposed of its discontinued operation in April 2014. The profit from the discontinued operation for the corresponding reporting period of last year mainly represented the gain on disposal of the discontinued operation.

PROSPECT

During the first half of 2015, due to the decelerated growth of macro economy and high level of coal inventories, the coal market sustained adverse situation of serious imbalance between supply and demand, resulting in more fierce market competition and continuously increasing operating pressure for coal traders. Owing to the inadequate market demand and oversupply in China, and the continuous slide in coal prices in the Chinese market, the sales volume and profit margin of the Group was dropped sharply as compared to the same period of last financial year.

Looking ahead, it shall be difficult for the coal price to recover from the trough in the near future due to the challenging supply and demand situation in the coal market because of the insufficient production capacity of the downstream coal-consuming industries that leads to the continuing decrease in coal consumption. However, the pressure of coal industry decline shall be gradually alleviated from time to time.

The Group responded to the challenging situation by continuously securing the source of coal to ensure the quality at the sourcing side. The secured coal was determined at competitive pricing through entering into the deed of transfer and amendment. Further details on the deed of transfer and amendment are set out in the section "Deed of Transfer and Amendment" below. Adhering to the market-oriented pricing mechanism, the Group will further explore new customers by allocating marketable types of coal according to the differentiated needs of the customers, which to some extent mitigate the impact from insufficient coal demand and thus enhance the market risk resilience of the Group.

In this extreme unfavourable market sales condition, the Group will continue to maintain its operational steadiness for curbing the loss and alleviating operational pressure to some extent without risking the profitability of the Company.

DEED OF TRANSFER AND AMENDMENT

As disclosed in the Company's announcement on 22 July 2015, the Group, the Original Supplier and the New Supplier entered into a deed of transfer and amendment (the "Deed"), pursuant to which the Original Supplier transferred certain of its rights, titles and interest in and to two coal sale and purchase agreements as amended on 18 February 2014 (the "Agreements") to the New Supplier, and amended certain terms of the Agreements. Under the Agreements as amended by the Deed, the purchase price of the coal will be determined and agreed by the parties to the Deed at the beginning of every year or any other date as mutually agreed by the parties, and the New Supplier shall deliver up to approximately 11.6 million MT of thermal coal to the Group by the end of 2017, subject to price to be agreed between the parties and further purchase contracts. The Original Supplier will also be entitled to half of the profit margin (the "Original Seller's Entitlements") of the Group in consideration of its facilitating the entering into of the Deed among the parties and referral of potential end customers to the Group. As at the date of the Deed, the balance of prepayment paid to the Original Supplier was approximately US$11.6 million and the Original Seller's Entitlements will be deducted from such balance of prepayment.

Subsequent to the end of the reporting period and up to the date of this announcement, the New Supplier has delivered approximately 55,000 MT of thermal coal to the Group. On condition that the market condition of coal industry is relieved, the Group shall remain optimistic on the execution of the Deed.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2015, cash on hand and at banks for the Group amounted to approximately US$12.19 million as compared to US$12.53 million as at 31 March 2015. The decrease in cash was primarily the result of the payment of operational expenses.

As at 30 September 2015, the Group had no borrowings while it had discounted bills with recourse amounting to US$26.92 million as at 31 March 2015. The decrease was due to that all bills receivable discounted, with recourse, for matching the working capital requirement arising from the Group's trading activities had been matured and settled by corresponding letters of credit.

As at 30 September 2015, the gearing ratio, being net debt (total borrowings less cash on hand and at banks) to net assets attributable to owners of the Group was nil since the Group had no borrowings (31 March 2015: approximately 58.7%).

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal trading business, irrevocable letters of credit up to a tenor of 90 days by reputable banks are usually required not later than 14 days prior to the expected date of vessels' arrival at loading port. So far, the Group has not experienced any bad debts from its coal trading business.

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

RISK OF CURRENCY FLUCTUATIONS

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

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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: Nil).

UPDATE ON DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There has been no change in the information regarding the Directors and Chief Executives of the Company since the date of the Company's 2014/2015 annual report.

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

As at 30 September 2015, 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 Securities and Future Ordinance (the "SFO")), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been 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 Appendix 10 to the Listing Rules (the "Model Code").

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 21 September 2012. Pursuant to the Share Option 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 Share Option 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.

The number of share options which may be granted under the Share Option 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 Share Option 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 Share Option 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.

SHARE OPTION SCHEME *(Continued)*

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 Share Option 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.

As at 30 September 2015, there had been no shares in respect of which options had been granted and remained outstanding under the Share Option Scheme.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2015.

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

As at 30 September 2015, the following substantial shareholder of the Company had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, has been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long position in shares of the Company

Name	Number of shares held	Approximate percentage of issued shares
Reignwood International Holdings Company Limited ("Reignwood") *(Note)*	182,459,527	53.33%

Note: Reignwood is wholly-owned by Dr. Chanchai RUAYRUNGRUANG.

Save as disclosed above, as at 30 September 2015, no person had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had a total of 10 (31 March 2015: 10) 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 2015.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") under the Board comprises all the three independent non-executive Directors, namely Mr. NGAN Hing Hon (Committee Chairman), Mr. YEUNG Kin Bond, Sydney and Mr. CHANG Tseng Hsi, Jesse.

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 of the Group for the six months ended 30 September 2015.

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
ZHENG Yong Sheng
Chairman

Hong Kong, 27 November 2015