# CONTENTS

# CORPORATE INFORMATION

**Ares Asia Limited**
*(Incorporated in Bermuda with limited liability)*

## DIRECTORS

**Executive Directors**

Ms. RUAYRUNGRUANG Woraphanit
*(Chairlady and Chief Executive Officer)*
Mr. WANG Chih-Wei *(Resigned on 30 July 2018)*
Mr. LAI Yi-Chun *(Appointed on 1 November 2018)*

**Independent Non-executive Directors**

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

## COMPANY SECRETARY

Ms. LEUNG Pui Ki

## AUTHORISED REPRESENTATIVES

Ms. RUAYRUNGRUANG Woraphanit
Ms. LEUNG Pui Ki

## 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

## AUDITOR

KPMG
*Certified Public Accountants*

## LEGAL ADVISERS

*As to Hong Kong Law*
Reed Smith Richards Butler

*As to Bermuda Law*
Conyers Corporate Services (Bermuda) Limited

## PRINCIPAL BANKERS

Société Générale Corporate & Investment Banking
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) 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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the six months ended 30 September 2018*
*(Expressed in United States dollars)*

| | | **Unaudited Six months ended 30 September** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | ***$'000*** | *$'000* |
| **Revenue** | *3* | **124,289** | 70,730 |
| Cost of sales | | **(123,361)** | (70,706) |
| **Gross profit** | | **928** | 24 |
| Other income | *4* | **29** | 7 |
| Selling expenses | | **(57)** | (67) |
| Administrative expenses | | **(815)** | (856) |
| Profit/(loss) from operations | | **85** | (892) |
| Finance costs | | **(462)** | (361) |
| **Loss before taxation** | *5* | **(377)** | (1,253) |
| Income tax | *6* | **—** | — |
| **Loss and total comprehensive income for the period** | | **(377)** | (1,253) |
| **Loss per share** | *8* | | |
| Basic and diluted | | **(0.11) cent** | (0.37) cent |

The notes on pages 7 to 16 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30 September 2018*
*(Expressed in United States dollars)*

| | Note | **Unaudited At 30 September 2018 *$'000*** | Audited At 31 March 2018 *$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **5** | 10 |
| **Current assets** | | | |
| Trade and other receivables | *9* | **49,443** | 59,030 |
| Cash and cash equivalents | | **1,665** | 8,443 |
| | | **51,108** | 67,473 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **4,318** | 9,195 |
| Discounted bills with recourse | *11* | **38,392** | 49,508 |
| | | **42,710** | 58,703 |
| **Net current assets** | | **8,398** | 8,770 |
| **Net assets** | | **8,403** | 8,780 |
| **Capital and reserves** | | | |
| Share capital | | **441** | 441 |
| Reserves | | **7,962** | 8,339 |
| **Total equity** | | **8,403** | 8,780 |

The notes on pages 7 to 16 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 30 September 2018*

*(Expressed in United States dollars)*

***For the six months ended 30 September 2018***

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Share Capital *$'000* | Share premium account *$'000* | Contributed surplus *$'000* | Accumulated losses *$'000* | Total *$'000* |
| **Balance at 1 April 2018** | **441** | **172** | **15,088** | **(6,921)** | **8,780** |
| Loss and total comprehensive income for the period | **—** | **—** | **—** | **(377)** | **(377)** |
| **Balance at 30 September 2018** | **441** | **172** | **15,088** | **(7,298)** | **8,403** |
| **Balance at 1 April 2017** | 441 | 172 | 15,088 | (4,443) | 11,258 |
| Loss and total comprehensive income for the period | — | — | — | (1,253) | (1,253) |
| **Balance at 30 September 2017** | 441 | 172 | 15,088 | (5,696) | 10,005 |

The notes on pages 7 to 16 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*for the six months ended 30 September 2018*
*(Expressed in United States dollars)*

| | Unaudited Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***$'000*** | *$'000* |
| **Operating activities** | | |
| Decrease in trade and other receivables | **9,587** | 30,425 |
| Decrease in trade and other payables | **(4,877)** | (33) |
| Other cash flows generated from/(used in) operating activities | **89** | (884) |
| **Net cash generated from operating activities** | **4,799** | 29,508 |
| **Investing activities** | | |
| Other cash flows arising from investing activities | **1** | 3 |
| **Net cash generated from investing activities** | **1** | 3 |
| **Financing activities** | | |
| Decrease in discounted bills with recourse | **(11,116)** | (36,428) |
| Other cash flows arising from financing activities | **(462)** | (361) |
| **Net cash used in financing activities** | **(11,578)** | (36,789) |
| **Net decrease in cash and cash equivalents** | **(6,778)** | (7,278) |
| **Cash and cash equivalents at 1 April** | **8,443** | 12,229 |
| **Cash and cash equivalents at 30 September** | **1,665** | 4,951 |

The notes on pages 7 to 16 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

*(Expressed in United States dollars)*

## 1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 (the "Interim Financial Statements") has 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 30 November 2018.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2017/18 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018/19 annual financial statements. Details of any changes in accounting polices are set out in note 2.

The financial information relating to the financial year ended 31 March 2018 that is included in the Interim Financial Statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2018.

## 2 Changes in accounting policies

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments has 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 operates in a single business segment of coal trading business during the current and prior periods.

*Geographical information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment. The geographical location of customers is based on the location at which the goods delivered. The geographical location of the property, plant and equipment is based on the physical location of the asset.

| | **Revenue from external customers** | | **Property, plant and equipment** | |
|---|---|---|---|---|
| | **Six months ended 30 September** | | **At 30 September** | At 31 March |
| | **2018** | 2017 | **2018** | 2018 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Mainland China | **124,289** | 70,730 | **—** | — |
| Hong Kong | **—** | — | **5** | 10 |
| | **124,289** | 70,730 | **5** | 10 |

## 4 Other income

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***$'000*** | *$'000* |
| Bank interest income | **1** | 3 |
| Net foreign exchange gain | **28** | 4 |
| Total | **29** | 7 |

## 5 Loss before taxation

Loss before taxation is arrived at after charging:

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***$'000*** | *$'000* |
| Depreciation | **5** | 11 |
| Staff costs | **337** | 450 |
| Cost of inventories | **111,622** | 67,707 |
| Finance costs | **462** | 361 |

## 6 Income tax

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2018 and 2017 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

## 7 Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## 8 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 $377,000 (six months ended 30 September 2017: $1,253,000) and the weighted average of 342,116,934 ordinary shares (six months ended 30 September 2017: 342,116,934 ordinary shares) in issue during the period.

### *(b) Diluted loss per share*

The calculation of diluted loss per share for the six months ended 30 September 2018 and 2017 is the same as that of basic loss per share as there were no dilutive potential ordinary shares during the period.

## 9 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 2018 *$'000* | At 31 March 2018 *$'000* |
|---|---|---|
| Within 1 month | **16,444** | 8,966 |
| More than 1 month but within 3 months | **25,014** | 49,508 |
| More than 3 months but within 6 months | **7,554** | — |
| Trade debtors and bills receivable | **49,012** | 58,474 |
| Prepayments and other receivables | **11,495** | 11,620 |
| *Less:* Impairment on prepayments and other receivables | **(11,064)** | (11,064) |
| | **49,443** | 59,030 |

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 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 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 30 September 2018 and 31 March 2018.

**9 Trade and other receivables** *(Continued)*

During the year ended 31 March 2014, the Group (through its subsidiary, Ares Repco Limited) entered into coal sale and purchase agreements ("the Original Agreements") with a marketing agent ("the Original Supplier") of two top coal miners in Indonesia. Under the Original Agreements, the Group made prepayments in the aggregate amount of $13,000,000 to the Original Supplier to secure long-term supply of thermal coal from the relevant coal miners. The prepayments were recoverable by deducting a pre-agreed amount from the unit cost of coal purchased by the Group.

On 22 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 Original Agreements to the New Supplier, and amended certain terms of the Original Agreements, details of which were disclosed in the announcement of the Company dated 22 July 2015. Under the Original Agreements as amended by the Deed, the New Supplier agreed to deliver up to approximately 11.6 million metric tonnes of thermal coal to the Group by the end of 2017, at prices to be agreed between the parties in purchase contracts. The Original Supplier was also entitled to half of the profit margin ("the Original Seller's Entitlement") earned by the Group on the sale of the thermal coal in consideration of its facilitating the entering into the Deed among the parties and referral of potential end customers to the Group. As at the date of the Deed, the unutilised balance of prepayments made to the Original Supplier was approximately $11.6 million and the Original Seller's Entitlements would be deducted from such balance of prepayments. Save for the amendments made to the Original Agreements, the other terms of the Original Agreements remained in full force and effect.

**9 Trade and other receivables** *(Continued)*

As at 31 March 2016, the unutilised prepayments amounted to $11,565,000. The directors reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. Due to the continuing downturn of coal market, the low demand of coal and minimal utilisation of the prepayments, and the Group's efforts in negotiation with the Original Supplier and New Supplier to secure the delivery of thermal coal under the terms of the Original Agreements as amended by the Deed, as well as demands for repayment which were in vain, the directors considered that there was significant uncertainty as to the ability of the Group to recover the balance of the prepayments through either utilisation from future purchases or repayment of the prepayments. Accordingly, a full impairment loss was recognised in the consolidated statement of comprehensive income during the year ended 31 March 2016.

In December 2016, the Group restructured the rights and obligations under the Original Agreements as amended by the Deed, through a series of contracts signed and exchanged with the relevant parties ("the New Agreement"), details of which were disclosed in the announcement of the Company dated 12 December 2016. Under the New Agreement, the remainder of the unutilised prepayments are to be utilised on an agreed basis against each purchase, either through an application of the prepayment towards purchases or by cash payment to the Group from the Original Supplier, in each case with an annual minimum repayment of $2,000,000. During the year ended 31 March 2017, unutilised prepayments and other receivables in total of $640,000 were recovered from the Original Supplier. Accordingly, the impairment loss recognised in prior year was reversed and credited in the consolidated statement of comprehensive income for the year ended 31 March 2017 to the extent of the actual amount recovered.

No further prepayments and other receivables have been utilised or recovered from the Original Supplier during the six months ended 30 September 2018. The Original Supplier is in breach of its minimum repayment obligations of $2 million under the New Agreement. As at 30 September 2018, approximately $11.1 million of the prepayments remains outstanding which has been fully impaired. The directors will continue to closely monitor the recoverability of the prepayments from the Original Supplier and are considering all of their options, including potential legal action.

## 10 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

| | **At 30 September 2018** ***$'000*** | At 31 March 2018 *$'000* |
|---|---|---|
| Within 1 month | **3,997** | 8,458 |
| Trade creditors | **3,997** | 8,458 |
| Other payables and accrued expenses | **321** | 737 |
| | **4,318** | 9,195 |

## 11 Discounted bills with recourse

Bills discounted with banks at an effective interest rate ranging from 2.55% to 3.21% (31 March 2018: 2.41% to 3.03%) per annum as at 30 September 2018 have maturity profiles of no more than 90 days.

## 12 Operating lease commitment

| | **At 30 September 2018** ***$'000*** | At 31 March 2018 *$'000* |
|---|---|---|
| Within 1 year | **210** | 109 |
| After 1 year but within 5 years | **376** | — |
| | **586** | 109 |

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.

## 13 Contingent liabilities

At 30 September 2018, the Group is involved in a legal claim relating to the disposal of certain former subsidiaries the operation of which were discontinued.

The Group ceased the operation of its footwear business in January 2013. Further, as disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement ("the 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) the 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 approximately $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. The directors reviewed the representations and warranties provided by the Company to Landway as set out in the agreement and based on the review and professional advice obtained, it was considered that there was no breach of any of the representations and warranties.

On 23 March 2016, Landway filed a claim against the Company, which alleged that a former director of the Company made certain misrepresentations in the Disposal and filed a claim of $700,000 plus interest against the Company in the High Court of Hong Kong. The Company filed its defence on 24 May 2016 which denied the allegations made by Landway. On 7 September 2016, the Company issued a summons applying to strike out Landway's claim. The strike out application was unsuccessful as Landway amended its statement of claim on 13 March 2017 in response to the strike out application. The Company filed an amended defence on 28 April 2017 accordingly. Landway and the Company filed and exchanged factual witness statements on 20 March 2018. Landway further amended its statement of claim on 8 November 2018.

The parties are still in the course of completing discovery and no trial dates have yet been fixed. Based on the available evidence and the advice received from the Company's legal advisor as to the merits of Landway's claim, the directors of the Company are of the opinion that no provision in respect of the said claim is required to be made.

## 14 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***$'000*** | *$'000* |
| Salaries and other short-term employee benefits | **46** | 155 |
| Retirement scheme contributions | **1** | 1 |
| | **47** | 156 |

### *(b) Transaction with a fellow subsidiary*

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***$'000*** | *$'000* |
| Rental expenses, building management fee and utility charges | **173** | 210 |

Details of continuing connected transaction is set out in the announcement of the Company dated 19 September 2018.

## REVIEW OF OPERATIONS

The Group continued to operate its coal trading business during the six-month period ended 30 September 2018. The customers of the Group are primarily State-owned and privately owned Chinese companies (or their offshore subsidiaries) whose businesses include trading or sales of commodities, including coal, and import and export operations. As a result of the Group supplying trading customers, the ultimate consumer of the supplies is commonly unknown to the Group.

The Company's policy is not to carry coal inventory. Accordingly, the Group utilises its knowledge of the specifications and quality of the commodity, its contacts both on the demand and supply sides of the market and its assessment of price/price trends to seek to meet its customers needs by sourcing the supplies at the required quantity, specification and delivery period at the best available price from the Group's suppliers, which include coal mine owners, operators or their agents and offering the same to the Group's customers at an appropriate mark up in price and other settlement terms.

During the six-month period ended 30 September 2018, the performance of the coal trading business has improved with revenue of US$124.29 million, representing a year-on-year increase of 75.72% or US$53.56 million. The Group sold thermal coal originated from Indonesia, New Zealand and Australia to Mainland China, with a total volume of approximately 1.63 million metric tonnes ("MT") as compared to 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$0.87 million for the current period, which decreased by US$0.05 million as compared to US$0.92 million in the corresponding reporting period of last year. Finance costs incurred during the period arose from the bills discounted which amounted to approximately US$0.46 million for the current period, which increased by US$0.10 million as compared to US$0.36 million in the corresponding reporting period of last year. The decrease in selling and administrative expenses were mainly due to the decrease in staff costs. The increase in finance costs were mainly due to the increase in sales volume.

The Group recorded a decrease in net losses attributable to the shareholders for the six-month period ended 30 September 2018 by about 69.91% as compared to that for the corresponding period in 2017 mainly due to (i) the increase in sales volume of the Group for the six-month period ended 30 September 2018 by approximately 48.18% as compared to the six-month period ended 30 September 2017 as well as an improvement in the overall gross profit margin; and (ii) the decrease in selling and administrative expenses.

## PROSPECT

Despite slumping coal prices and the Renminbi's continuous run of monthly declines over the past six months, the Group was still able to achieve a good result in coal trading volume of 1.63 million MT during the first half of financial year 2018/19.

Looking ahead, the market will remain challenging due to enhanced intensity of air pollution control in China, unstable global economy as well as trade wars. However, the Group has noted that cost advantages of imported coal and an increased demand for coal from coastal power plants in China for the upcoming financial year, may lead to a recovery on the coal import market. The Group will also closely monitor developments on global economy.

The Group will continue to work closely with top coal mines in Indonesia to secure supply of quality thermal coal at a competitive price, which will include considering possible opportunities in building strategic alliances with them. Further, the Group will continue to explore new customers by allocating marketable types of coal according to differentiated requirements of customers.

In furtherance of the Group's continued review of its future business strategies, the Group will explore business or investment opportunities that can benefit the long term stability and growth of the Group's operations.

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2018, cash on hand and at banks for the Group amounted to approximately US$1.67 million as compared to US$8.44 million as at 31 March 2018. The decrease in cash was primarily the result of the payment for daily operations and trade activities during the six months ended 30 September 2018.

As at 30 September 2018, the Group had discounted bills with recourse amounting to US$38.39 million as compared to US$49.51 million as at 31 March 2018. The discounting of bills receivable was a short term trade facility and the underlying bills receivable had maturity periods of 90 days after the receipt of required documents by nominated banks, or less and were covered by corresponding letters of credit.

As at 30 September 2018, 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 437.07% (31 March 2018: approximately 467.71%).

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.

## EVENT AFTER THE REPORTING PERIOD

### Appointment of Executive Director

Mr. Lai Yi-Chun ("Mr. Lai"), also known as "Robert Lai", has been appointed as an executive Director with effect from 1 November 2018. Reference is made to the announcement of the Company dated 1 November 2018 in relation to the appointment of executive Director.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

## CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information subsequent to the date of annual report for the year ended 31 March 2018 and up to the date of this report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

| Name of Director | Details of Changes |
|---|---|
| Mr. Wang Chih-Wei | Resigned on 30 July 2018 as an executive Director. |
| Mr. Lai Yi-Chun | Appointed on 1 November 2018 as an executive Director. |

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, none of the Directors and chief executive of the Company had any interests 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## SHARE OPTION SCHEME

The Company's existing share option scheme (the "Share Option Scheme") was adopted on 21 September 2012 (the "Date of Adoption"). The Share Option Scheme will remain in force for a period of 10 years commencing from the Date of Adoption (that is from 21 September 2012 to 20 September 2022). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants (including any executive directors, non-executive directors and independent non-executive directors, employees of the Group and any other persons who the Board considers, in its sole discretion, to have contributed to the Group) 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 Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "Option Scheme Limit"). 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. Any grant of options to a connected person (as defined in the Listing Rules) must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee). Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

Based on 340,616,934 shares of the Company in issue as at the Date of Adoption, the maximum number of Shares which may be issued upon the exercise of all the options granted or to be granted under the Share Option Scheme or any other share option schemes of the Company must not, in aggregate, exceed 34,061,693 Shares, being 10% of the Shares in issue as at the Date of Adoption. The Option Scheme Limit has not been previously refreshed since the Date of Adoption. The total number of shares available for issue under the Share Option Scheme is 32,561,693 Shares, representing 9.52% of the total number of Shares in issue as at the date of this interim report.

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. The acceptance of an offer of the grant of the option must be made within 15 days from the date of grant.

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.

There was no outstanding share option under the Share Option Scheme as at 1 April 2018 and 30 September 2018 respectively.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2018.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" above and "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the period under review was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, to the best knowledge of the Directors, the following persons/corporations (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO:

**Long position in shares of the Company**

| Name | Capacity/ Nature of Interest | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Reignwood International Holdings Company Limited ("Reignwood") *(Note)* | Beneficial Owner | 182,459,527 | 53.33% |

*Note:*

Reignwood is wholly-owned by Dr. Chanchai RUAYRUNGRUANG.

Save as disclosed above, as at 30 September 2018, no person, including the Directors and chief executive of the Company, had interest or short position in the shares, underlying shares and debentures of the Company which was required to be recorded in the register required to be kept by the Company 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 under review.

## EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2018, the Group had a total of 8 (31 March 2018: 9) 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 (the "Code Provision(s)") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2018, except for the deviations from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. RUAYRUNGRUANG Woraphanit ("Ms. RUAYRUNGRUANG") is the chairlady of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. RUAYRUNGRUANG and believes that her holding of the positions of the chairlady of the Board and chief executive officer of the Company is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

## 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 2018.

## AUDIT COMMITTEE

The audit committee of the Company (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 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 unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2018.

By Order of the Board
**ARES ASIA LIMITED**
**RUAYRUNGRUANG Woraphanit**
*Chairlady*

Hong Kong, 30 November 2018