**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **ARES ASIA LIMITED**, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.



ARES ASIA
安域亞洲

**REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

**ARES ASIA LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 645)**

# COMPOSITE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFERS BY

寶橋 BRIDGE PARTNERS

**BRIDGE PARTNERS CAPITAL LIMITED**

## ON BEHALF OF REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF ARES ASIA LIMITED (OTHER THAN THOSE ALREADY OWNED BY REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF ARES ASIA LIMITED

**Joint Financial Advisers to Reignwood International Holdings Company Limited**

寶橋 BRIDGE PARTNERS

**BRIDGE PARTNERS CAPITAL LIMITED**

天行聯合證券有限公司
United Simsen Securities Limited

**Independent Financial Adviser to the Independent Board Committee**

PROTON CAPITAL
普頓資本有限公司
PROTON CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meaning as those defined in the section headed "Definitions" in this Composite Document.

A letter from Bridge Partners and United Simsen containing, among other things, details of the terms of the Offers is set out on pages 7 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 23 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders and Optionholder in respect of its recommendation to the Offers is set out on pages 24 to 25 of this Composite Document. A letter from Proton Capital Limited containing its advice and recommendation to the Independent Board Committee in respect of the Offers is set out on pages 26 to 43 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offers are set out on pages I-1 to I-12 in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Share Offer and Option Offer should be received by the Registrar and the Company respectively by no later than 4:00 p.m. on 27 June 2014 or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code.

6 June 2014

# CONTENTS

*The timetable set out below is indicative only and is subject to change. Any changes to this timetable will be jointly announced by the Offeror and the Company as and when appropriate.*

| | |
|---|---|
| Despatch date of this Composite Document and the accompanying Forms of Acceptance and commencement date for acceptance of the Offers *(Note 1)* | Friday, 6 June 2014 |
| Latest time and date for acceptance of the Offers *(Note 2)* | 4:00 p.m. on Friday, 27 June 2014 |
| Closing Date *(Note 2)* | Friday, 27 June 2014 |
| Announcement of the results of the Offers and the level of acceptances or as to whether the Offers has been revised or extended uploaded to the Stock Exchange's website | By 7:00 p.m. on Friday, 27 June 2014 |
| Latest date for posting of remittances to the Independent Shareholders and Optionholder in respect of valid acceptances under the Offers *(Note 3)* | Tuesday, 8 July 2014 |

*Notes:*

1. The Offers are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.

2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed for acceptances at 4:00 p.m. on Friday, 27 June 2014 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Friday, 27 June 2014 stating whether the Offers have been extended, revised or have expired. In the event that the Offeror decides to revise or extend the Offers, at least 14 days notice by way of an announcement will be given before the Share Offer and Option Offer are closed to the Independent Shareholders and Optionholder who have not accepted the Share Offer and the Option Offer, respectively.

   Acceptances of the Offers are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.

3. Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Share(s) tendered under the Share Offer will be despatched by ordinary post to those Independent Shareholder(s) accepting the Share Offer as soon as possible, but in any event within seven (7) Business Days of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Share Offer complete and valid.

   Remittances in respect of the consideration payable for the Option(s) tendered under the Option Offer will be despatched by ordinary post to the office of the Company in Hong Kong at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong for collection by the Optionholder accepting the Option Offer as soon as possible, but in any event within seven (7) Business Days of the date of receipt by the Company of all the relevant documents to render the acceptance under the Option Offer complete and valid.

***All times and dates contained in this Composite Document refer to Hong Kong local times and dates.***

*In this Composite Document, the following expressions shall have the following meanings, unless the context requires the otherwise:*

| | |
|---|---|
| "Acquisition" | the acquisition of the Sale Shares by the Purchaser from the Vendor on the terms of the Sale and Purchase Agreement |
| "acting in concert" | has the meaning ascribed to it under the Takeovers Code |
| "associates" | has the meaning ascribed to it under the Takeovers Code |
| "Board" | the board of Directors |
| "Bridge Partners" | Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers and the agent to the Offeror |
| "Business Day" | a day (other than Saturday, Sunday or days on which a typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are open for business |
| "BVI" | British Virgin Islands |
| "Bye-laws" | the bye-laws of the Company |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "Closing Date" | 27 June 2014, the closing date of the Offers, which is 21 days following the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be extended and announced by the Offeror in accordance with the Takeovers Code |

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|---|---|
| "Company" | Ares Asia Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| "Completion" | completion of the Sale and Purchase Agreement on 29 April 2014, being the date of the Sale and Purchase Agreement |
| "Composite Document" | this composite offer and response document dated 6 June 2014 jointly issued by the Offeror and the Company in relation to the Offers and in accordance with the Takeovers Code |
| "Consideration" | the consideration paid by the Offeror to the Vendor for the Acquisition of the Sale Shares on the terms and conditions of the Sale and Purchase Agreement, being HK$127,720,642.70 or HK$0.70 per Sale Share |
| "Director(s)" | director(s) of the Company |
| "Encumbrances" | any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind or any option, equity, claim, adverse interest or other third party right of any kind; or any arrangement by which any right is subordinated to any right of such third party; or any contractual right of set-off, including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above |
| "Executive" | the Executive Director of the Corporate Finance Division of the SFC or any of his delegates |
| "Forms of Acceptance" | the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance (accompanying this Composite Document) and "Form of Acceptance" means either of them |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |

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|---|---|
| "HKSCC" | Hong Kong Securities Clearing Company Limited |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond Sydney, which has been formed to advise the Independent Shareholders and Optionholder in respect of the Offers |
| "Independent Financial Adviser" or "Proton" | Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers |
| "Independent Shareholders" | Shareholders other than the Offeror and parties acting in concert with it |
| "Joint Announcement" | the joint announcement issued by the Offeror and the Company dated 30 April 2014 in respect of, among other things, the Acquisition and the Offers |
| "Joint Financial Advisers" | Bridge Partners and United Simsen, being the joint financial advisers to the Offeror |
| "Last Trading Date" | 25 April 2014, being the last trading day prior to the suspension of trading in the Shares pending the release of the Joint Announcement |
| "Latest Practicable Date" | 4 June 2014, being the latest practicable date prior to the date of this Composite Document for ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules |
| "Mr. Chanchai" | Mr. Chanchai RUAYRUNGRUANG, the sole director and ultimate beneficial owner of the Offeror |
| "Mr. CHUA" | Mr. CHUA Chun Kay, the Chairman of the Company and an executive Director, who is the sole director and ultimate beneficial owner of the Vendor |
| "Offer Period" | has the meaning ascribed to it under the Takeovers Code |
| "Offer Share(s)" | the issued Shares other than those Shares owned by the Offeror and the parties acting in concert with it |
| "Offeror" or "Purchaser" | Reignwood International Holdings Company Limited, a company incorporated in the BVI with limited liability |
| "Offers" | Share Offer and Option Offer |
| "Option Offer" | the mandatory comparable cash offer made by Bridge Partners on behalf of the Offeror for cancellation of all outstanding Share Options pursuant to Rule 13.1 of the Takeovers Code in accordance with the terms and conditions set out in the Composite Document |
| "Optionholder" | Mr. Junaidi YAP, the holder of the Share Options |
| "Overseas Shareholders" | Independent Shareholders(s) whose addresses as shown on the register of members of the Company is/are outside Hong Kong |
| "PRC" | the People's Republic of China, which for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

| | |
|---|---|
| "Registrar" | Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company and located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| "Relevant Period" | the period beginning 6 months preceding the commencement of the Offer Period on 4 March 2014 and ending with the Latest Practicable Date |
| "Sale and Purchase Agreement" | the sale and purchase agreement dated 29 April 2014 entered into between the Vendor and the Purchaser pursuant to which, among other things, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares on the terms and conditions thereof |
| "Sale Shares" | an aggregate of 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement, sold by the Vendor to the Purchaser subject to and pursuant to the Sale and Purchase Agreement |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the capital of the Company |
| "Shareholders" | holder(s) of the Share(s) |
| "Share Offer" | the unconditional mandatory cash offer made by Bridge Partners on behalf of the Offeror to acquire all the issued Shares (other than those already owned by the Offeror and persons acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code in accordance with the terms and conditions set out in the Composite Document |

| | |
|---|---|
| "Share Offer Price" | the price at which the Share Offer is made, being HK$0.7 per Offer Share |
| "Share Option Scheme" | the share option scheme of the Company adopted by the Company on 21 September 2012 |
| "Share Options" | the 1,500,000 outstanding share options granted by the Company to the Optionholder pursuant to the Share Option Scheme |
| "Star Crown" or "Vendor" | Star Crown Capital Ltd, a company incorporated in the BVI with limited liability and a company directly and wholly beneficially owned by Mr. CHUA |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Takeovers Code" | The Hong Kong Code on Takeovers and Mergers |
| "United Simsen" | United Simsen Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent. |

*The exchange rate used for the purpose of this Composite Document is at US$1 = HK$7.75*

BRIDGE PARTNERS CAPITAL LIMITED
Room 3303, 33/F, West Tower,
Shun Tak Centre,
200 Connaught Road Central, Hong Kong

天行聯合證券有限公司
United Simsen Securities Limited
Suites 7001-02, 70/F,
Two International Finance Centre
No. 8 Finance Street
Central, Hong Kong

6 June 2014

*To the Independent Shareholders and Optionholder*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY
BRIDGE PARTNERS CAPITAL LIMITED
ON BEHALF OF
REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
ARES ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED BY REIGNWOOD
INTERNATIONAL HOLDINGS COMPANY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
ARES ASIA LIMITED**

## INTRODUCTION

Reference is made to the Joint Announcement made by the Offeror and the Company dated 30 April 2014 in relation to, among other things, the Acquisition and the Offers.

On 5 January 2011, Mr. CHUA, through the Vendor, acquired certain Shares which represented approximately 59.77% of the then issued share capital of the Company, at a price of HK$1.70 per Share ("**Vendor's Acquisition**"). Upon completion of the Vendor's Acquisition, Mr. CHUA began to conduct a detailed review of the strategic directions and operations of the Group to chart its long term corporate strategy and growth.

As advised by Mr. CHUA, since the Company has been incurring losses for each of the financial years ended 31 March 2012 and 2013 as well as for the six months ended 30 September 2013, Mr. CHUA decided that it would be too costly for the Vendor to maintain their investment in the Company and that realization of capital would be the best available option. As a result, the Vendor commenced to look for potential investors that are interested in acquiring an interest in the Company and/or taking over the control of the Company.

On 29 April 2014, the Vendor and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company, for a total cash consideration of HK$127,720,642.70 (being HK$0.70 per Share). Completion took place immediately upon the signing of the Sale and Purchase Agreement.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is required to make a comparable cash offer for cancellation of all outstanding Share Options.

Bridge Partners has been appointed by the Offeror to make the Offers on its behalf.

This letter forms part of the Composite Document and sets out, among other things, details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further details on the terms of the Offers are set out in Appendix I — "Further Terms of the Offers" to this Composite Document and in the accompanying Forms of Acceptance.

Your attention is further drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders and Optionholder and the "Letter from the Independent Financial Adviser" to the Independent Board Committee as contained in this Composite Document.

**THE OFFERS**

As at the Latest Practicable Date, there were 340,616,934 Shares in issue and 1,500,000 outstanding Share Options. Save for the Share Options, the Company had no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert to or exchange into the Shares.

**Principal terms of the Offers**

Bridge Partners is making the Offers for and on behalf of the Offeror on the following basis:

***Share Offer***

For each Offer Share . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . HK$0.70 in cash

The Share Offer Price is the same as the Consideration of HK$0.70 per Sale Share under the Sale and Purchase Agreement paid by the Offeror and represents:

(a) a discount of approximately 29.29% to the closing price of HK$0.99 per Share as quoted on the Stock Exchange on the Last Trading Date, being 25 April 2014;

(b) a discount of approximately 28.57% to the average closing price of HK$0.98 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date;

(c) a discount of approximately 28.50% to the average closing price of HK$0.979 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

(d) a discount of approximately 28.86% to the average closing price of HK$0.984 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;

(e) a discount of approximately 0.71% to the audited consolidated net asset value of the Company of approximately US$0.091 (approximately HK$0.705) per Share as at 31 March 2013, being the date to which the latest audited consolidated annual results of the Group were made up;

(f) a premium of approximately 27.27% over the unaudited consolidated net asset value of the Company of approximately US$0.071 (approximately HK$0.55) per Share as at 30 September 2013, being the date to which the latest unaudited consolidated interim results of the Group were made up and;

(g) a discount of approximately 13.58% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period; and

(h) a discount of approximately 56.25% to the closing price of HK$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them, including the right to receive all dividends and distributions declared, made or paid after the date on which the Share Offer is made, being the date of posting of this Composite Document.

***Option Offer***

For cancellation of each Share Option of outstanding
1,500,000 Share Options with exercise price of HK$0.63 . . . . . . . . . . . . HK$0.07 in cash

The offer price in cash of the Option Offer is determined by deducting the exercise price payable on exercise of a Share Option from the Share Offer Price per Offer Share payable under the Share Offer.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date.

Share Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date. Subject to vesting (where applicable), Optionholder of such Options may exercise such Options in accordance with the Share Option Scheme following the Closing Date.

**Conditions of the Offers**

The Offers are unconditional in all aspects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Share Offer and the Option Offer tendered by Independent Shareholders and the Optionholder shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 8 headed "Right of Withdrawal" in Appendix I — "Further Terms of the Offers" to this Composite Document.

**Highest and lowest prices of the Shares**

Details of the highest and lowest prices of the Shares during the Relevant Period are set out in the section headed "8. Market Prices" in Appendix III — "General Information" to this Composite Document.

**Total value of the Offers**

As at the Latest Practicable Date, there were 340,616,934 Shares in issue and 1,500,000 outstanding Share Options. On the basis of the Share Offer Price, the entire issued share capital of the Company is valued at HK$238,431,853.80 and 158,158,873 Shares will be subject to the Share Offer and are valued at HK$110,711,211.10 on the basis of the Share Offer Price. Assuming none of the outstanding Share Options are exercised prior to Closing Date, the total amount required to satisfy the cancellation of all the outstanding Share Options is HK$105,000.00. Based on the above and assuming no outstanding Share Options are exercised prior to the Closing Date, the Offers are valued at approximately HK$110,816,211.10.

In the event that all 1,500,000 outstanding Share Options are fully exercised prior to Closing Date, the Company will have to issue 1,500,000 new Shares. The total number of Shares subject to the Share Offer will become 159,658,873 Shares and the maximum value of the Share Offer is valued at approximately HK$111,761,211.10. In that case, no amount will be payable by the Offeror under the Option Offer.

**Confirmation of financial resources**

The Offers will be financed from internal resources of the Offeror. Bridge Partners and United Simsen, as the joint financial advisers to the Offeror in respect of the Offers, are satisfied that sufficient financial resources are available to the Offeror for meeting its obligation in case of full acceptance of the Offers.

No payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

**Payment**

Payment in cash in respect of acceptance of the Offers will be made as soon as possible and in any event within seven (7) Business Days of the date on which the Shares are validly tendered for acceptance of the Share Offer and the relevant documents of title are received by or on behalf of the Offeror to render each such acceptance of both the Share Offer and Option Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder or an Optionholder who accepts the Offers will be rounded up to the nearest cent.

**Compulsory acquisition**

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offers after the close of the Offers.

**Stamp duty**

Sellers' *ad valorem* stamp duty for Shares registered on the register of members of the Company in Hong Kong arising in connection with acceptance of the Share Offer will be payable by each Independent Shareholder at the rate of 0.1% of the higher of (i) the market value of the Shares; and (ii) the amount of the consideration payable by the Offeror for such person's Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and will be deducted from the cash amount payable by the Offeror to such person under the Share Offer. The Offeror will pay the buyer's *ad valorem* stamp duty on its own behalf and the Sellers' *ad valorem* stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

**Overseas Shareholders**

The availability of the Share Offers to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any persons who are not resident in Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdiction. It is the responsibility of the Shareholders who have registered addresses outside Hong Kong and wish to accept the Share Offer to satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Shareholders in respect of such jurisdiction).

Acceptance of the Share Offer by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Share Offer.

**Taxation advice**

Independent Shareholders and the Optionholder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of rejection of the Offers.

## DEALING IN SECURITIES OF THE COMPANY

Details of the dealing in securities of the Company by the Offeror and persons acting in concert with it are set out in the section headed "5. Dealings in Securities of the Company" in Appendix III — "General Information" to this Composite Document.

## INFORMATION ON THE GROUP

Details of the information on the Group are set out in the "Letter from the Board" of this Composite Document. Financial information of the Group is set out in Appendix II to this Composite Document.

## INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. The sole legal and beneficial owner and the sole director of the Offeror is Mr. Chanchai, a Thai-Chinese businessman, who is the founder, chairman and the beneficial owner of the privately held Reignwood Group.

The Offeror is part of the Reignwood Group. Reignwood Group is a multinational conglomerate with significant presence in the PRC and its major business investments and operations include, Red Bull Energy Drink, Beijing Pine Valley Golf Club & Resort and Beijing Reignwood Centre, etc.

## INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the Group's principal business of coal trading after completion of the Offers. The Offeror also intends to conduct a detailed review of the strategic directions and operations of the Group to chart its long term corporate strategy and growth and to explore other business or investment opportunities which might enhance the Group's future development. The Offeror has no intention to inject any material asset or business into the Group as at the Latest Practicable Date. The Offeror has no intention to redeploy the employees or the fixed assets of the Group other than in its ordinary course of business.

As confirmed by the Offeror and the Vendor, save for the Sale and Purchase Agreement, (i) there is no consideration (of any form) or other discussions, arrangements, agreements, or understandings between the Offeror and its concert parties on the one hand and the Vendor and its concert parties on the other, in relation to the voting rights of the Company (including their acquisition or disposal); and (ii) there is no past or present and contemplated relationships and dealings, business or otherwise, between the Vendor and its concert parties on the one hand and the Offeror and its concert parties on the other.

**PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY**

As at the date of this Composite Document, the Board comprises two executive Directors (Mr. CHUA and Mr. Junaidi YAP) and three independent non-executive Directors. Mr. CHUA will resign as Chairman of the Company and the executive Director while Mr. Junaidi YAP will remain as an executive Director. The resignation of Mr. CHUA will take effect at a date in compliance with the Takeovers Code.

The Company will appoint Mr. RAN Dong and Mr. CHAN Tsang Mo as new executive Directors and Mr. Jesse Tseng Hsi CHANG as new independent non-executive director with effect on the Business Day immediately after the despatch of this Composite Document and an announcement will be made by the Company in this regard. Any appointment of other new Directors by the Offeror will be in full compliance with the requirement under the Takeovers Code and the Listing Rules.

The biographical information of Mr. RAN Dong, Mr. CHAN Tsang Mo and Mr. Jesse Tseng Hsi CHANG is as follows:

Mr. RAN Dong, aged 33, is currently the finance manager of the Reignwood Group in the PRC. Mr. RAN graduated from Tianjin University in the PRC with a bachelor's degree in economic law & financial management. He is the registered member of The Chinese Institute of Certified Public Accountants. Mr. RAN has experience in financial management and reporting.

Mr. CHAN Tsang Mo, aged 29, is currently the accounting manager of the Reignwood Group in Hong Kong. Mr. CHAN holds a bachelor's degree in business administration of City University of Hong Kong and is a member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Reignwood Group, Mr. CHAN had worked for international audit firms and financial advisory companies. He has experience in auditing, financial management and treasury activities.

Mr. Jesse Tseng Hsi CHANG, aged 59, is the managing partner of TransAsia Lawyers, a law firm licensed in the PRC and is also an arbitrator of Shanghai International Economic and Trade Arbitration Commission. Mr. CHANG graduated with a bachelor of laws degree and a bachelor of Economics degree from The Australian National University and a Master of Laws degree from the Columbia University in New York. He has extensive experience in advising clients to implement market entry structures in highly regulated sectors in the PRC, such as aviation, media and IT. He has also been involved in corporate restructurings, mergers and acquisitions of numerous multinational companies particularly in industries related to media, IT as well as minerals and resources.

## MAINTAINING THE LISTING STATUS OF THE COMPANY

**The Stock Exchange has stated that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

**(i) a false market exists or may exist in the trading of the Shares; or**

**(ii) there are insufficient Shares in the hands of the public to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the Shares.**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares.

## ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further terms and other details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I — "Further Terms of the Offers" to this Composite Document and the accompanying Forms of Acceptance.

## GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners for the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances sent to the Independent Shareholders and the Optionholder by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Optionholder at their respective addresses as they appear in the register of members of the Company, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, or in the case of Optionholder, such documents and remittance will be sent to the office of the Company in Hong Kong at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong for collection. None of the Offeror, the Company, Bridge Partners, United Simsen or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. In addition, your attention is drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offers as set out in the "Letter from the Independent Financial Adviser" as contained in this Composite Document.

Yours faithfully,
For and on behalf of
**BRIDGE PARTNERS CAPITAL LIMITED**
**Monica LIN**
*Managing Director*

Yours faithfully,
For and on behalf of
**UNITED SIMSEN SECURITIES LIMITED**
**LIU Ka Lim** *Director*
**CHIU Ka Him** *Director*

ARES ASIA
安域亞洲

# ARES ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 645)**

*Executive Directors:*
Mr. CHUA Chun Kay *(Chairman)*
Mr. Junaidi YAP *(Chief Executive Officer)*

*Independent Non-executive Directors:*
Mr. LAM Pun Yuen, Frank
Mr. NGAN Hing Hon
Mr. YEUNG Kin Bond, Sydney

*Registered office:*
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

*Principal office and place of business in Hong Kong:*
Unit 1602, 16/F,
LHT Tower,
31 Queen's Road Central,
Central,
Hong Kong

6 June 2014

*To the Independent Shareholders and Optionholder*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS**
**BY**
**BRIDGE PARTNERS CAPITAL LIMITED**
**ON BEHALF OF**
**REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED**
**TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF**
**ARES ASIA LIMITED**
**(OTHER THAN THOSE ALREADY OWNED BY REIGNWOOD**
**INTERNATIONAL HOLDINGS COMPANY LIMITED**
**AND PARTIES ACTING IN CONCERT WITH IT)**
**AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF**
**ARES ASIA LIMITED**

## INTRODUCTION

Reference is made to the Joint Announcement made by the Offeror and the Company dated 30 April 2014 in relation to, among other things, the Acquisition and the Offers.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is required to make a mandatory comparable cash offer for cancellation of all outstanding Share Options.

The Independent Board Committee comprising all independent non-executive Directors namely, Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney, has been established to advise the Independent Shareholders and Optionholder as to whether the Offers are fair and reasonable and as to acceptance of the Offers. Proton has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Offers, whose appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders and the Optionholder regarding the Offers, and the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

## THE OFFERS

As at the Latest Practicable Date, there were 340,616,934 Shares in issue and 1,500,000 outstanding Share Options. Save for the Share Options, the Company did not have any outstanding options, warrants, or securities convertible or exchangeable into Shares.

Taking into account of the 182,458,061 Shares already owned by the Offeror and the parties acting in concert with it, 158,158,873 Shares and 1,500,000 Share Options are the subject of the Offers.

Bridge Partners is making the Offers for and on behalf of the Offeror on the following basis:

### Share Offer

For each Offer Share . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . HK$0.70 in cash

The Share Offer Price is the same as the Consideration of HK$0.70 per Sale Share under the Sale and Purchase Agreement paid by the Offeror and represents:—

(a) a discount of approximately 29.29% to the closing price of HK$0.99 per Share as quoted on the Stock Exchange on the Last Trading Date, being 25 April 2014;

(b) a discount of approximately 28.57% to the average closing price of HK$0.98 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date;

(c) a discount of approximately 28.50% to the average closing price of HK$0.979 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

(d) a discount of approximately 28.86% to the average closing price of HK$0.984 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;

(e) a discount of approximately 0.71% to the audited consolidated net asset value of the Company of approximately US$0.091 (approximately HK$0.705) per Share as at 31 March 2013, being the date to which the latest audited consolidated annual results of the Group were made up;

(f) a premium of approximately 27.27% over the unaudited consolidated net asset value of the Company of approximately US$0.071 (approximately HK$0.55) per Share as at 30 September 2013, being the date to which the latest unaudited consolidated interim results of the Group were made up;

(g) a discount of approximately 13.58% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period; and

(h) a discount of approximately 56.25% to the closing price of HK$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them, including the right to receive all dividends and distributions declared, made or paid after the date on which the Share Offer is made, being the date of posting of this Composite Document.

***Option Offer***

For cancellation of each Share Option of outstanding
1,500,000 Share Options with exercise price of HK$0.63 . . . . . . . . . . . . HK$0.07 in cash

The offer price in cash of the Option Offer is determined by deducting the exercise price payable on exercise of a Share Option from the Share Offer Price per Offer Share.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date.

Share Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date, the Optionholder of such options may exercise such options in accordance with the Share Option Scheme.

**Further details of the Offers**

Your attention is drawn to the further details of the Offers set out in the "Letter from Bridge Partners and United Simsen", the procedures for acceptance of the Offers, settlement and acceptance period as set out in Appendix I — "Further Terms of the Offers" to this Composite Document, of which this letter forms part, and in accompanying Forms of Acceptance.

**INFORMATION ON THE GROUP**

The principal activity of the Company is investment holding. The Group is principally engaged in the business of coal trading, entailing the selling of thermal coal purchased from Australia and Indonesia to the PRC. The Group commenced coal trading in October 2012. Prior to this, the Group's major business was the manufacture of footwear but, as disclosed in the Group's annual report for the year ended 31 March 2013, due to a decrease in sales and rising production costs, the Group ceased its footwear manufacturing business in January 2013.

The shareholding structure of the Company (i) immediately before and (ii) immediately after the Completion and as at the Latest Practicable Date is as follows:

| | **Immediately before the Completion** | | **Immediately after the Completion and as at the Latest Practicable Date** | |
|---|---|---|---|---|
| | *Number of Shares* | *Approx. % shareholding* | *Number of Shares* | *Approx. % shareholding* |
| Offeror and parties acting in concert with it | — | — | 182,458,061 | 53.57 |
| Vendor | 182,458,061 | 53.57 | — | — |
| Public Shareholders | 158,158,873 | 46.43 | 158,158,873 | 46.43 |
| **Total** | **340,616,934** | **100.00** | **340,616,934** | **100.00** |

Set out below are details of the Share Options as at the Latest Practicable Date:

| **Number of Share Options** | **Date of grant** | **Exercise period** | **Exercise price per Share Option** |
|---|---|---|---|
| 1,500,000 | 25 October 2012 | From 25 October 2012 to 23 October 2015 | HK$0.63 |

The aforesaid Shares Options are beneficially owned by Mr. Junaidi YAP, an executive Director and are vested at the date of grant.

## FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited financial information of the Group for the financial years ended 31 March 2012 and 31 March 2013. This information has been extracted from the annual report of the Company for the year ended 31 March 2013. In the table below, the "discontinued operation" refers to the Group's footwear manufacturing business, whilst the "continuing operation" refers to the coal trading business.

| | | For the year ended 31 March | |
|---|---|---|---|
| | | **2013** | **2012** |
| | | *US$'000* | *US$'000* |
| Continuing operation | Turnover | 44,639 | N/A |
| | Loss for the year | (547) | (1,485) |
| Discontinued operation | Turnover | 13,112 | 27,967 |
| | Loss for the year | (3,709) | (58) |
| **Total Loss for the Year** | | (4,256) | (1,543) |

Based on the interim report of the Company for the six months ended 30 September 2013, the unaudited consolidated net assets value of the Group as at 30 September 2013 was approximately US$24.21 million (equivalent to approximately HK$187.63 million).

## INFORMATION ON AND INTENTION OF THE OFFEROR

Your attention is drawn to the paragraphs headed "Information on the Offeror" and "Intention of the Offeror Regarding the Group" in the "Letter from Bridge Partners and United Simsen" as set out in this Composite Document. The Board is aware of the intention of the Offeror regarding the Group and is willing to render reasonable co-operation with the Offeror which is in the best interests of the Company and the Shareholders as a whole.

As confirmed by the Vendor to the Board, save for the Sale and Purchase Agreement, (i) there is no consideration (of any form) or other discussions, arrangements, agreements, or understandings between the Offeror and its concert parties on the one hand and the Vendor and its concert parties on the other, in relation to the voting rights of the Company (including their acquisition or disposal); and (ii) there is no past or present and contemplated relationships and dealings, business or otherwise, between the Vendor and its concert parties on the one hand and the Offeror and its concert parties on the other.

## PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Please refer to the paragraphs headed "Proposed Change of Board Composition of the Company" in the "Letter from Bridge Partners and United Simsen" as set out in this Composite Document. Any change of the Company's Board composition will be made in accordance with the Takeovers Code and the Listing Rules.

## MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board noted from the "Letter from Bridge Partners and United Simsen" that the Offeror intends to maintain the listing of Shares on the Stock Exchange after the close of the Offers.

**The Stock Exchange has stated that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

**(i) a false market exists or may exist in the trading of the Shares; or**

**(ii) there are insufficient Shares in the hands of the public to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the Shares.**

The director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares.

## RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser respectively, which set out their respective advice and recommendation and opinions in relation the Offers and the principal factors considered by the Independent Financial Adviser before arriving at its recommendation.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I — "Further terms of the Offers" to the Composite Document and the accompanying Forms of Acceptance for further details in respect of the procedures for acceptance of the Offers.

Yours faithfully,
By order of the Board
**ARES ASIA LIMITED**
**Junaidi YAP**
*Executive Director*

ARES ASIA
安 域 亞 洲

**ARES ASIA LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 645)**

6 June 2014

*To the Independent Shareholders and Optionholder*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY
BRIDGE PARTNERS CAPITAL LIMITED
ON BEHALF OF
REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
ARES ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED BY REIGNWOOD
INTERNATIONAL HOLDINGS COMPANY LIMITED
AND PERSONS ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
ARES ASIA LIMITED**

We refer to this Composite Document dated 6 June 2014 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in this Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholder are concerned and as to its acceptance.

Proton Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect, details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 26 to 43 of the Composite Document.

We further draw your attention to the "Letter from Bridge Partners and United Simsen", the "Letter from the Board" and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and the acceptance and settlement procedures for the Offers.

## RECOMMENDATION

Taking into account the terms of the Offers, the independent advice from the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at its recommendation in respect of the Offers, we consider that the terms of the Offers are not fair and not reasonable so far as the Independent Shareholders and the Optionholder are concerned and therefore we recommend the Independent Shareholders and the Optionholder not to accept the Offers.

Notwithstanding our recommendation, the Independent Shareholders and Optionholder should consider carefully the terms and conditions of the Offers.

Yours faithfully,
**The Independent Board Committee**

| **LAM Pun Yuen, Frank** | **NGAN Hing Hon** | **YEUNG Kin Bond, Sydney** |
|---|---|---|
| *Independent Non-executive Director* | *Independent Non-executive Director* | *Independent Non-executive Director* |

*Set out below is the text of a letter received from Proton, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, for the purpose of inclusion in this Composite Document.*

普頓資本有限公司
PROTON CAPITAL LIMITED

Suites 06-07, 28th Floor, Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

6 June 2014

*To: The Independent Board Committee of Ares Asia Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY
BRIDGE PARTNERS CAPITAL LIMITED
ON BEHALF OF
REIGNWOOD INTERNATIONAL HOLDINGS COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL
OF ARES ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED BY REIGNWOOD
INTERNATIONAL HOLDINGS COMPANY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS
OF ARES ASIA LIMITED**

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are contained in the Composite Document dated 6 June 2014 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Company was informed by the Vendor that on 29 April 2014, the Vendor and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company as at the date of the Joint Announcement for a total cash consideration of HK$127,720,642.70 (being HK$0.70 per Share).

Immediately following the Completion, which took place immediately upon the signing of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is required to make a mandatory comparable cash offer for cancellation of all outstanding Share Options.

The Independent Board Committee comprising all independent non-executive Directors namely, Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney, has been established to advise the Independent Shareholders and Optionholder as to whether the Offers are fair and reasonable and as to acceptance of the Offers.

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code. The appointment of Proton Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

**BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statement contained in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statement contained into the Composite Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Offeror or their respective subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offers.

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they exist on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

### (1) Background and terms of the Offers

The Company was informed by the Vendor that on 29 April 2014, the Vendor and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company as at the date of the Joint Announcement for a total cash consideration of HK$127,720,642.70 (being HK$0.70 per Share).

Immediately following the Completion, which took place immediately upon the signing of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 182,458,061 Shares, representing approximately 53.57% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is required to make a mandatory comparable cash offer for cancellation of all outstanding Share Options.

Taking into account of the 182,458,061 Shares already owned by the Offeror and the parties acting in concert with it, 158,158,873 Shares and 1,500,000 Share Options are the subject of the Offers.

Bridge Partners is making the Offers for and on behalf of the Offeror on the following basis:

***Share Offer***

For each Offer Share. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .HK$0.70 in cash

***Option Offer***

For cancellation of each Share Option of outstanding
1,500,000 Share Options with exercise price of HK$0.63 . . . . . . .HK$0.07 in cash

The Offers are unconditional in all respects.

As confirmed by the Directors, as at the Latest Practicable Date, there were 340,616,934 Shares in issue and 1,500,000 outstanding Share Options. Save for the Share Options, the Company did not have any outstanding options, warrants, or securities convertible or exchangeable into Shares.

On the basis of the Share Offer Price, the entire issued share capital of the Company is valued at HK$238,431,853.80 and 158,158,873 Shares will be subject to the Share Offer and are valued at HK$110,711,211.10 on the basis of the Share Offer Price. Assuming none of the outstanding Share Options are exercised prior to Closing Date, the total amount required to satisfy the cancellation of all the outstanding Share Options is HK$105,000.00. Based on the above and assuming no outstanding Share Options are exercised prior to the Closing Date, the Offers are valued at approximately HK$110,816,211.10.

In the event that all 1,500,000 outstanding Share Options are fully exercised prior to Closing Date, the Company will have to issue 1,500,000 new Shares. The total number of Shares subject to the Share Offer will become 159,658,873 Shares and the maximum value of the Share Offer is valued at approximately HK$111,761,211.10. In that case, no amount will be payable by the Offeror under the Option Offer.

Further Terms of the Offers are set out in the "Letter from Bridge Partners and United Simsen" and Appendix I to the Composite Document.

**(2) Financial information on the Group**

The principal activity of the Company is investment holding. The Group is principally engaged in the business of coal trading, entailing the selling of thermal coal purchased from Australia and Indonesia to the PRC. The Group commenced coal trading in October 2012. Prior to this, the Group's major business was the manufacture of footwear products but, as disclosed in the Group's annual report for the year ended 31 March 2013, due to a decrease in sales and rising production costs, the Group ceased its footwear manufacturing business in January 2013.

Set out below is a summary of the financial information of the Group for the years ended 31 March 2012 and 31 March 2013 as well as the six months ended 30 September 2013. This information has been extracted from the annual report of the Company for the year ended 31 March 2013 and the interim report of the Company for the six months ended 30 September 2013 ("**2013/14 Interim Report**"). In the table below, the "discontinued operation" refers to the Group's footwear manufacturing business, whilst the "continuing operation" refers to the coal trading business.

| | **For the year ended 31 March** | | **For the six months ended 30 September** |
|---|---|---|---|
| | **2012** | **2013** | **2013** |
| | *US$'000* | *US$'000* | *US$'000* |
| | (audited) | (audited) | (unaudited) |
| **Continuing operation** | | | |
| Turnover | N/A | 44,639 | 60,693 |
| Gross profit | N/A | 838 | 921 |
| (Loss) for the year/period | (1,485) | (547) | (6,670) |
| **Discontinued operation** | | | |
| Turnover | 27,967 | 13,112 | — |
| (Loss) for the year/period | (58) | (3,709) | (82) |
| **Total loss for the year/ period** | **(1,543)** | **(4,256)** | **(6,752)** |

| | **As at 31 March** | | **As at 30 September** |
|---|---|---|---|
| | **2012** | **2013** | **2013** |
| | *US$'000* | *US$'000* | *US$'000* |
| | (audited) | (audited) | (unaudited) |
| Consolidated net asset value of the Company | 35,166 | 30,961 | 24,209 |

As set out in the above table, since the Group's commencement of the coal trading business in October 2012, the Group recorded an increase in turnover from the coal trading business of approximately US$44.6 million in the year ended 31 March 2013 to approximately US$60.7 million for the six months ended 30 September 2013, representing a growth of approximately 36%. The gross profit from the coal trading business of approximately US$0.9 million for the six months ended 30 September 2013 was comparable to that for the six months period from October 2012 to March 2013 of approximately US$0.8 million.

The Company had restructured its business in 2012 and ceased its footwear manufacturing business in January 2013 and as a result, its loss for the year ended 31 March 2013 increased to approximately US$4.3 million (year ended 31 March 2012: approximately US$1.5 million). As stated in the annual report of the Company for the financial year ended 31 March 2013, it was the Group's business strategy to seek investment and acquisition opportunity in mining and resources sectors so as to enhance profitability and maximize Shareholders' value. As such, a subsidiary of the Company subscribed for an exchangeable bond in a coal mining company (the "**Exchangeable Bond**") in 2012, details of which were disclosed in the announcements of the Company dated 30 May 2012 and 22 March 2013. As at 31 March 2013, the Exchangeable Bond was valued at approximately US$6.0 million, representing approximately 18.8% of the audited consolidated total assets of the Company of approximately US$32.1 million on 31 March 2013. According to the 2013/14 Interim Report, while the Company's loss from continuing operation had significantly narrowed to approximately US$0.7 million only as compared to approximately US$1.3 million for the same reporting period last year, the Company recorded a fair value loss of approximately US$6.0 million on the Exchangeable Bond which resulted in a net loss of approximately US$6.8 million in aggregate for the six months ended 30 September 2013. As advised by the Company, the fair value loss of approximately US$6.0 million represented the Group's total exposure in this investment. As confirmed by the Company, save for the Exchangeable Bond, the Group did not have any other securities investment as at the Latest Practicable Date. The Company's consolidated net assets had decreased from approximately US$35.2 million on 31 March 2012 to approximately US$24.2 million on 30 September 2013.

According to the BP Statistical Review of World Energy 2013, coal consumption in the PRC had increased from 728.4 million tonnes oil equivalent in 2002 to 1,873.3 million tonnes oil equivalent in 2012, representing a compound annual growth rate of approximately 9.9%. However, the annual growth rate has been decreased from approximately 9% in 2010 and 2011 to approximately 6% only in 2012, which is in line with the slowing down of the economic development of the PRC in recent years. As such, the future development of the coal industry will depend on the economic development of the PRC and in view of the continued slowdown of the PRC economy, we consider that the prospect of the coal industry in the PRC is uncertain. In view that:

(i) the Group commenced coal trading in October 2012 and remained loss making for the two years ended 31 March 2013 and the six months ended 30 September 2013;

(ii) the Group's thermal coal is mainly for power plants in the PRC and therefore, slowdown of the PRC's economy will have a negative impact on customers' demand for the Group's product; and

(iii) the Offeror has indicated in the "Letter from Bridge Partners and United Simsen" that the Offeror intends to continue the Group's principal business of coal trading after completion of the Offers and to conduct a detailed review of the strategic directions and operations of the Group to chart its long term corporate strategy and growth and to explore other business or investment opportunities which might enhance the Group's future development,

we consider the prospect of the Group's existing coal trading business is uncertain. The future prospect of the Group will depend on the long-term business plans and strategy of the Company to be formulated by the new Directors.

**(3) Information on the Offeror**

Set out below is the information on the Offeror as extracted from the "Letter from Bridge Partners and United Simsen" of the Composite Document:

The Offeror is an investment holding company incorporated in the BVI with limited liability. The sole legal and beneficial owner and the sole director of the Offeror is Mr. Chanchai, a Thai-Chinese businessman, who is the founder, chairman and the beneficial owner of the privately held Reignwood Group.

The Offeror is part of the Reignwood Group. Reignwood Group is a multinational conglomerate with significant presence in the PRC and its major business investments and operations include, Red Bull Energy Drink, Beijing Pine Valley Golf Club & Resort and Beijing Reignwood Centre, etc.

**(4) The Offeror's intention regarding the Group**

***Business***

As disclosed in the "Letter from Bridge Partners and United Simsen" of the Composite Document, the Offeror intends to continue the Group's principal business of coal trading after completion of the Offers. The Offeror also intends to conduct a detailed review of the strategic directions and operations of the Group to chart its long term corporate strategy and growth and to explore other business or investment opportunities which might enhance the Group's future development. The Offeror has no intention to inject any material asset or business into the Group as at the Latest Practicable Date. The Offeror has no intention to redeploy the employees or the fixed assets of the Group other than in its ordinary course of business.

***Proposed change in the Board composition***

According to the "Letter from Bridge Partners and United Simsen", as at the date of the Composite Document, the Board comprises two executive Directors (Mr. CHUA and Mr. Junaidi YAP) and three independent non-executive Directors. Mr. CHUA will resign as Chairman of the Company and the executive Director while Mr. Junaidi YAP will remain as executive Director. The resignation of Mr. CHUA will take effect at a date in compliance with the Takeovers Code. The Company will appoint Mr. RAN Dong and Mr. CHAN Tsang Mo as new executive Directors and Mr. Jesse Tseng Hsi CHANG as new independent non-executive director with effect on the Business Day immediately after the despatch of the Composite Document and an announcement will be made by the Company in this regard. Any appointment of other new Directors by the Offeror will be in full compliance with the requirement under the Takeovers Code and the Listing Rules. The biographic details of the proposed new Directors are set out in the section headed "Proposed Change of Board Composition of the Company" in the "Letter from Bridge Partners and United Simsen".

***Maintaining the listing status of the Company***

According to the "Letter from Bridge Partners and United Simsen", the Offeror intends to maintain the listing of the Shares on the Stock Exchange. The director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares.

**(5) The Share Offer Price per Offer Share**

The Share Offer Price of HK$0.70 per Offer Share represents:

(a) a discount of approximately 29.29% to the closing price of HK$0.99 per Share as quoted on the Stock Exchange on the Last Trading Date, being 25 April 2014;

(b) a discount of approximately 28.57% to the average closing price of HK$0.98 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date;

(c) a discount of approximately 28.50% to the average closing price of HK$0.979 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

(d) a discount of approximately 28.86% to the average closing price of HK$0.984 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;

(e) a discount of approximately 0.71% to the audited consolidated net asset value of the Company of approximately US$0.091 (approximately HK$0.705) per Share as at 31 March 2013, being the date to which the latest audited consolidated annual results of the Group were made up;

(f) a premium of approximately 27.27% over the unaudited consolidated net asset value of the Company of approximately US$0.071 (approximately HK$0.55) per Share as at 30 September 2013, being the date to which the latest unaudited consolidated interim results of the Group were made up;

(g) a discount of approximately 13.58% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period; and

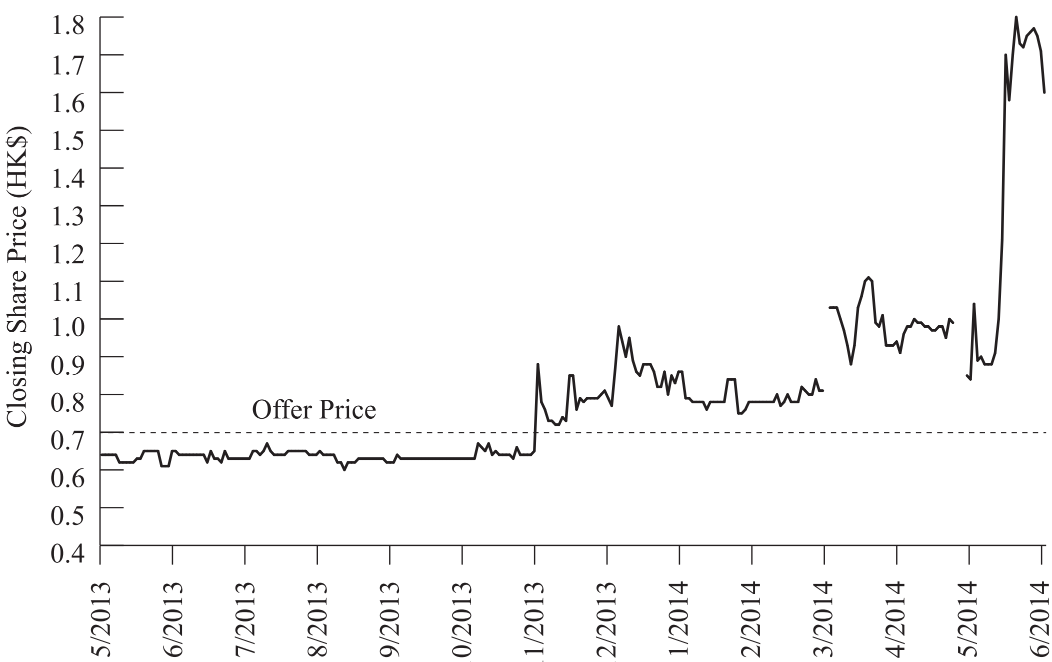
(h) a discount of approximately 56.25% to the closing price of HK$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As disclosed above, the Share Offer Price represents a discount to the audited consolidated net asset value of the Company as at 31 March 2013 and a premium over the unaudited consolidated net asset value of the Company as at 30 September 2013. Judging from the prospective of the unaudited consolidated net asset value of the Company as at 30 September 2013 alone, the Share Offer Price is reasonable as it is at a premium. However, we would like to emphasis that net asset value is just one of the factors in analysing the reasonableness of the Share Offer Price, our further analysis on the reasonableness of the Share Offer Price is set out at the later part of this letter.

***Historical price performance of the Shares***

The following chart sets out the closing prices of the Shares as quoted on the Stock Exchange during the period from 1 May 2013 up to and including the Latest Practicable Date (the "**Review Period**"):

**Closing prices of the Shares during the Review Period**




*Source: the Stock Exchange web-site (www.hkex.com.hk)*

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the Review Period are shown as follows:

| **Month** | **Highest closing price** *(HK$)* | **Lowest closing price** *(HK$)* | **Average daily closing price** *(HK$)* | **No. of trading days of the Shares in each month** |
|---|---|---|---|---|
| **2013** | | | | |
| May | 0.650 | 0.610 | 0.633 | 21 |
| June | 0.650 | 0.620 | 0.636 | 19 |
| July | 0.670 | 0.630 | 0.645 | 22 |
| August | 0.650 | 0.600 | 0.628 | 21 |
| September | 0.640 | 0.620 | 0.630 | 20 |
| October | 0.670 | 0.630 | 0.630 | 21 |
| November | 0.880 | 0.720 | 0.780 | 21 |
| December | 0.980 | 0.770 | 0.868 | 20 |
| **2014** | | | | |
| January | 0.860 | 0.750 | 0.789 | 21 |
| February | 0.840 | 0.770 | 0.792 | 19 |
| March *(Note 1)* | 1.110 | 0.810 | 0.989 | 20 |
| April *(Note 2)* | 1.000 | 0.910 | 0.974 | 17 |
| May | 1.800 | 0.840 | 1.311 | 21 |
| June (up to and including the Latest Practicable Date) | 1.710 | 1.600 | 1.655 | 2 |

*Source: the Stock Exchange web-site (www.hkex.com.hk)*

*Notes:*

1. Trading in the Shares was halted on 4 March 2014 pending for the publication of the March Announcement (as defined below).

2. Trading in the Shares was suspended from 28 April to 30 April 2014 (both days inclusive) pending the release of the Joint Announcement.

As illustrated by the above chart and table, during the Review Period, the Share Offer Price was higher than the historical average daily closing prices of the Shares per month for the months from May 2013 to October 2013, whereas the Share Offer Price was lower than the historical average daily closing prices of the Shares per month since November 2013 up to the Latest Practicable Date. The highest and lowest closing prices of the Share were HK$1.80 on 22 May 2014 and HK$0.60 on 12 August 2013, respectively, and the Share Offer Price represents a discount of approximately 61.1% to and a premium of approximately 16.7% over the aforesaid closing prices.

Closing prices of the Shares surged from HK$0.65 on 31 October 2013 to HK$0.88 on 1 November 2013 and had been above the Offer Price since then. The Company published an unusual share price and trading volume announcement on 1 November 2013 confirming that the Board was not aware of the reason for such increase. Thereafter, prices of the Shares fluctuated with the Company's issuance of an inside information announcement dated 13 November 2013 in relation to its coal trading business and a profit warning announcement dated 15 November 2013 in respect of the Group's results for the six months ended 30 September 2013. After the Company's publication of an announcement on 2 December 2013 regarding the placement of approximately 8% issued Shares by the Vendor to three independent third parties at HK$0.79 per Share, closing price of the Shares further increased to HK$0.98 on 4 December 2013. Closing prices of the Shares increased to HK$1.11 during the period from 19 to 21 March 2014 after the publication of an announcement by the Company on 4 March 2014 disclosing that Mr. CHUA was in the process of negotiating with an independent third party for the disposal of all/part of his securities interests in the Company (the "**March Announcement**"). Trading in the Shares was suspended from 28 April 2014 to 30 April 2014 pending for the release of the Joint Announcement. After the publication of the Joint Announcement, closing prices of the Shares fluctuated and bounced by approximately 40.5% from HK$1.21 on 16 May 2013 to HK$1.70 on 19 May 2014. We noted that the Company issued an unusual share price and trading volume announcement on 19 May 2014 stating that, save as disclosed in the Joint Announcement, the Directors were not aware of any reasons for these price and volume movements. Closing price of the Shares further reached a record high in the Review Period of HK$1.80 on 22 May 2014.

We noted that the Share Offer Price is equivalent to the Consideration of HK$0.70 per Sale Share under the Sale and Purchase Agreement paid by the Offeror. We further noted from the Joint Announcement that the Consideration was arrived at after arm's length negotiations between the Offeror and the Vendor with reference to, among others, the average closing price of the Shares for the past one year, the listing status of the Company and the fact that the Offeror can obtain a controlling interest in the Company. The value of a controlling interest in a listed company is generally referred to as control premium, which is a generic term generally refer to an amount that a buyer is willing to pay over the net asset value or current market price of a company in order to acquire a controlling share in a publicly listed company. Nevertheless, the value of controlling interest is subject to a number of factors such as liquidity of the relevant stock and financial performance of the listed company. In the case of the Company, in view that the market prices of the Company as disclosed in section headed "The Share Offer Price per Offer Share" of this letter are higher than the unaudited consolidated net asset value of the Company of US$0.071 (approximately HK$0.55) per Share as at 30 September 2013, we consider it is more appropriate to ascertain control premium based on the current market prices of the Company rather than its unaudited consolidated net asset value as at 30 September 2013. The Consideration per Sale Share did not contain any control premium since the Consideration per Sale Share of HK$0.70, which is equivalent to the Offer Price, is at discount to the market prices of the Company. We also noted that the average closing price of the Shares for the past one year immediately before the date of the Sale and Purchase Agreement is approximately HK$0.745 and the Vendor had placed approximately 8% of the issued Shares at HK$0.79 per Share (the "**Placing Price**") on 2 December 2013. The Consideration per Sale Share of HK$0.70 represents discounts of (i) approximately 6.0% to the aforesaid one year average closing price of approximately HK$0.745 (i.e. market price of the Shares) and (ii) approximately 11.4% to the Placing Place. In view of the aforesaid and judging from the historical closing prices of the Share as well as the current market prices of the Shares, which are materially above the Offer Price, we are of the opinion that the Share Offer Price is unattractive and is not fair and not reasonable so far as the Independent Shareholders are concerned.

***Historical trading liquidity of the Shares***

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

| **Month** | **No. of trading days of the Shares in each month** | **Average daily trading volume (the "Average Volume")** | **% of the average volume to total number of issued Shares held by the public as at the Latest Practicable Date** *(Note 3)* | **% of the average volume to total number of issued Shares as at the Latest Practicable Date** *(Note 4)* |
|---|---|---|---|---|
| | | *Number of Shares* | % | % |
| **2013** | | | | |
| May | 21 | 29,048 | 0.018 | 0.009 |
| June | 19 | 49,179 | 0.031 | 0.014 |
| July | 22 | 54,182 | 0.034 | 0.016 |
| August | 21 | 32,095 | 0.020 | 0.009 |
| September | 20 | 5,870 | 0.004 | 0.002 |
| October | 21 | 106,476 | 0.067 | 0.031 |
| November | 21 | 406,295 | 0.257 | 0.119 |
| December | 20 | 414,593 | 0.262 | 0.122 |
| **2014** | | | | |
| January | 21 | 62,476 | 0.040 | 0.018 |
| February | 19 | 50,421 | 0.032 | 0.015 |
| March *(Note 1)* | 20 | 5,382,065 | 3.403 | 1.580 |
| April *(Note 2)* | 17 | 699,050 | 0.442 | 0.205 |
| May | 21 | 10,714,648 | 6.775 | 3.146 |
| June (up to and including the Latest Practicable Date) | 2 | 3,334,000 | 2.108 | 0.979 |

*Source: the Stock Exchange web-site (www.hkex.com.hk)*

*Notes:*

1. Trading in the Shares was halted on 4 March 2014 pending for the publication of the March Announcement.

2. Trading in the Shares was suspended from 28 April to 30 April 2014 (both days inclusive) pending the release of the Joint Announcement.

3. Based on 158,158,873 Shares held by the public as at the Latest Practicable Date.

4. Based on 340,616,934 Shares in issue as at the Latest Practicable Date.

We noted from the above table that save for the months of March, May and June (up to the Latest Practicable Date) in 2014, i.e. after the publication of the March Announcement, the volume of the Shares traded during the Review Period was below 1% of the total number of issued Shares held by the public as at the Latest Practicable Date and thus, trading in the Shares had been very thin. In light of that the Shares are highly illiquid, the disposal of large block of Shares held by the Shareholders in the open market would likely to trigger price slump of the Shares. For this reason, there is no guarantee that Independent Shareholders will be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price which is substantially higher than the Share Offer Price. We, therefore, consider that the Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire for their Shares at a price higher than the Share Offer Price, those Independent Shareholders may consider not accepting the Offers but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Share Offer.

For those Independent Shareholders who, after reading through the Composite Document and this letter and having regard to their own circumstances, consider retaining all or any part of their Shares should note that the Group was loss making for the two years ended 31 March 2013 and for the six months ended 30 September 2013. Also, the Offeror will conduct a detailed review of the strategic directions and operations of the Group to chart its long term corporate strategy and growth and to explore other business or investment opportunities which might enhance the Group's future development. As such, we consider that the prospects of the Group after the Share Offer would be uncertain.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intention of the Offeror in relation to the Company in the future, and the potential difficulties that they may encounter in disposing of their investments in the Shares after the close of the Share Offer.

***The Option Offer***

The Option Offer is made at a price of HK$0.07 per Share Option. As the exercise prices of all the Share Options are lower than the market price of the Shares, all the outstanding Share Options are in the money, we consider that the terms of the Option Offer are not fair and not reasonable so far as the Optionholder is concerned.

**RECOMMENDATION**

Although the Share Offer Price is higher than the unaudited consolidated net asset value of the Company as at 30 September 2013, having considered the following:

- the Share Offer Price is (i) at discounts to the Placing Price as well as the average closing price of the Shares for the past one year immediately before the date of the Sale and Purchase Agreement; (ii) lower than the historical average daily closing prices of the Shares per month since November 2013 up to the Latest Practicable Date; and (iii) at a substantial discount to the current market prices of the Shares;

we consider that the Share Offer Price is unattractive and terms of the Share Offer are not fair and not reasonable. Nevertheless, Independent Shareholders should also note that the Share Offer Price is equivalent to the price of the Sale Shares, which is the price of the Sale Shares sold to the Offeror, who was an independent third party when the Sale and Purchase Agreement was entered into. On the other hand, since the outstanding Share Options are in the money while the offer price to cancel all the outstanding Share Options is of a nominal value, we consider that the terms of the Option Offer are not fair and not reasonable so far as the Optionholder is concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer and to advise the Optionholder not to accept the Option Offer.

However, the Group's future financial performances are uncertain given its loss making condition for the two years ended 31 March 2013 and the six months ended 30 September 2013. With this being the case, those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the financial performance of the Group as well as intention of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offers. Further terms and conditions of the Offers are set out in the "Letter from Bridge Partners and United Simsen" and Appendix I to the Composite Document.

**Overall speaking, we would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, especially that the disposal of large blocks of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading of the Shares. For those Independent Shareholders who intend to realize their investment in the Company should consider selling their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.**

**Moreover, as different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,
For and on behalf of
**Proton Capital Limited**
**Josephine LAU**
*Director – Corporate Finance*

## 1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

### 1.1 The Share Offer

(a) To accept the Share Offer, you should complete and sign the accompanying WHITE Form of Share Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Share Offer, you must send the accompanying WHITE Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "Ares Asia Share Offer" on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

(c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the accompanying WHITE Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offer Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked "Ares Asia Share Offer";

(ii) arrange for the Offer Share(s) to be registered in your name by the Company through the Registrar and send the accompanying WHITE Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "Ares Asia Share Offer";

(iii) if your Offer Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your Offer Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the WHITE Form of Share Offer Acceptance should nevertheless be completed and delivered in an envelope marked "Ares Asia Share Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

(e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s) and you wish to accept the Share Offer, you should nevertheless complete and sign the WHITE Form of Share Offer Acceptance and deliver it in an envelope marked "Ares Asia Share Offer" to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of Bridge Partners and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions to the Share Offer, as if it/they were delivered to the Registrar with the WHITE Form of Share Offer Acceptance.

(f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed WHITE Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Offer Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Share(s); or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Offer Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Registrar or the Stock Exchange.

If the WHITE Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each relevant Independent Shareholder at a rate of HK$1.00 for every HK$1,000 or part thereof of (i) the market value of the Offer Shares or (ii) the consideration payable by the Offeror for such Independent Shareholder's Offer Shares, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer. The Offeror will arrange for payment of seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinace (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt for any WHITE Form(s) of Share Offer Acceptance, share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**1.2 The Option Offer**

(a) To accept the Option Offer, you should complete the PINK Form of Option Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

(b) The completed PINK Form of Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Options (if applicable), stating the number of Options in respect of which you intend to accept the Option Offer under such Option Class, by post or by hand, marked "Ares Asia Option Offer" on the envelope, to the Company, Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

(c) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the PINK Form of Option Offer Acceptance should nevertheless be completed and delivered in an envelope marked "Ares Asia Option Offer" to the Company together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.

(d) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Options to the extent exercisable as indicated in section 3 of this Appendix below, but copies of the relevant exercise notice and cheque for the subscription monies and the WHITE Form of Share Offer Acceptance must reach the Registrar on or before the first Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.

(e) No stamp duty will be deducted from the amount paid or payable to Optionholder who accept the Option Offer.

(f) No acknowledgment of receipt of any PINK Form(s) of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

## 2. SETTLEMENT

### 2.1 The Share Offer

(a) If you accept the Share Offer, settlement of the consideration (less seller's ad valorem stamp duty) will be made by cheque as soon as possible, but in any event within seven (7) Business Days of the date of receipt of a complete and valid acceptance of the Share Offer. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's WHITE Form of Share Offer Acceptance at his/her own risk.

(b) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

**2.2 The Option Offer**

(a) If you accept the Option Offer, settlement of the consideration will be made by cheque as soon as possible, but in any event within seven (7) Business Days of the date of receipt of a complete and valid acceptance of the Option Offer. Each cheque will be despatched by ordinary post to the office of the Company in Hong Kong at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong for collection.

(b) No fractions of a cent will be payable and the amount of cash consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

**3. EXERCISE OF OPTIONS**

An Optionholder who wishes to accept the Share Offer may exercise his/her Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Company at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong on or before the first Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. An Optionholder should at the same time complete and sign the WHITE Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed WHITE Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or Bridge Partners and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the WHITE Form of Share Offer Acceptance. If an Optionholder fails to exercise his/her Options as aforesaid, there is no guarantee that the Company may issue the relevant share certificate in respect of the Offer Shares allotted pursuant to his/her exercise of the Option(s) to such Optionholder in time for him/her to accept the Share Offer as an Independent Shareholder of such Offer Shares under the terms of the Share Offer.

## 4. LAPSE OF OPTIONS

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the Share Option Scheme. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

## 5. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance must be received by the Registrar and the Company respectively in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.

(b) If the Offers are extended, the announcement of such extension will state the next Closing Date or a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to Independent Shareholders and the Optionholder before the Offers are closed. If, during the course of the Offers, the Offeror revises the terms of the Offers, all Independent Shareholders and the Optionholder, whether or not they have already accepted the Share Offer and the Option Offer, respectively, will be entitled to accept the revised Share Offer and the revised Option Offer, respectively, under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised Offer document is posted and shall not be closed earlier than the Closing Date.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

## 6. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision and extension of the Offers. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised, extended or expired. The announcement will state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offers have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it; and

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any party acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

(b) The announcement must specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights represented by these numbers. In computing the total number of Offer Shares and Options represented by acceptances, for announcement purposes, acceptances which are in all respects in complete and good order and fulfil the acceptance conditions set out in this Appendix I, and that have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers must be made in accordance with the requirements of the Listing Rules and will be published on the website of the Stock Exchange (www.hkexnews.hk); and the Company's websites (www.aresasialtd.com and www.irasia.com/listco/hk/aresasia/index.htm).

## 7. NOMINEE REGISTRATION

(a) To ensure the equality of treatment of all Independent Shareholders, registered Independent Shareholders who hold the Offer Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions of their intentions to the Share Offer to their respective nominees.

(b) All documents and remittances to be sent to Independent Shareholders and Optionholder will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of Independent Shareholders, at their addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company or, in the case of Optionholder, to the office of the Company in Hong Kong at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong for collection. None of the Offeror, the Company Bridge Partners, the Registrar or any of their respective directors, agents or professional advisers or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

## 8. RIGHT OF WITHDRAWAL

(a) Acceptance of the Share Offer and the Option Offer tendered by Independent Shareholders and the Optionholder shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph.

(b) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in section 6 of this Appendix above, the Executive may require that the Independent Shareholders and Optionholder who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until such are met.

(c) Upon the withdrawal of acceptance by an Independent Shareholder or an Optionholder, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post, in the case of Independent Shareholder, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Share(s) lodged with the WHITE Form of Share Offer Acceptance to such Independent Shareholder or, in the case of Optionholder, the certificate(s) in respect of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) in respect of the Option(s) lodged with the PINK Form of Option Offer Acceptance to such Optionholder.

## 9. SHARES

Acceptance of the Share Offer or the Option Offer by any Independent Shareholder or the Optionholder, respectively, will be deemed to constitute a warranty by such Independent Shareholder or the Optionholder that:

(a) the Offer Shares or Options sold or tendered by such Independent Shareholder or the Optionholder (as the case may be) are free from all Encumbrances of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including but without limitation, in the case of the Offer Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date;

(b) acceptance of the Share Offer or Option Offer (as the case may be) tendered shall be irrevocable and cannot be withdrawn, except in the circumstances as set out the Takeovers Code; and

(c) such Independent Shareholder or the Optionholder (as the case may be) is permitted under all applicable laws and regulations to receive and accept the Share Offer or Option Offer (as the case may be), and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such Independent Shareholder or the Optionholder will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by him/her/it.

## 10. GENERAL

(a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and the Optionholder will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, the Company, Bridge Partners, the Registrar or any of their respective directors or agents or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance form part of the terms of the Share Offer and the Option Offer, respectively.

(c) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.

(d) The Share Offer and the Option Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder or Optionholder will constitute such Independent Shareholder's or Optionholder's (as the case may be) agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer or Option Offer (as the case may be).

(e) Due execution of a WHITE Form of Share Offer Acceptance will constitute an authority to the Offeror, any Offeror Director, Bridge Partners or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary, desirable or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Share(s) in respect of which such person or persons has/have accepted the Share Offer.

(f) The settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer and the Option Offer, respectively, will be implemented in full in accordance with the terms of the Share Offer and the Option Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder or Optionholder.

(g) Any Independent Shareholders or Optionholder accepting the Share Offer or the Option Offer, respectively, will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(h) In making their decision, Independent Shareholders and Optionholder must rely on their own examination of the Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the

Offeror, the Company, Bridge Partners, Proton or their respective professional advisers. Independent Shareholders and Optionholder should consult their own professional advisers for professional advice.

(i) References to the Share Offer or the Option Offer in this Composite Document and in the Forms of Acceptance shall include any extension and/or revision thereof.

(j) The making of the Offers to the overseas Independent Shareholders or Optionholder may be prohibited or affected by the laws of the relevant jurisdictions. The overseas Independent Shareholders and Optionholder should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas Independent Shareholder and Optionholder who wishes to accept the Share Offer and Option Offer, respectively, to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such overseas Independent Shareholders and Optionholder shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas Independent Shareholders and Optionholder in respect of the relevant jurisdictions. The overseas Independent Shareholders and Optionholder are recommended to seek professional advice on deciding whether or not to accept the Share Offer and Option Offer, respectively.

(k) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.

## 1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial results of the Group as extracted from the respective annual and interim reports of the Company:

| | Six months ended 30 September | Year ended 31 March | | |
|---|---|---|---|---|
| | **2013** | **2013** | **2012** | **2011** |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| **Continuing operation** | | | | |
| **Turnover** | 60,693 | 44,639 | — | — |
| Cost of sales | (59,772) | (43,801) | — | — |
| **Gross profit** | 921 | 838 | — | — |
| Other revenue | 10 | 122 | — | — |
| Other net (loss)/income | (6,014) | 1,125 | 15 | — |
| Selling and distribution expenses | (153) | (186) | — | — |
| Administrative expenses | (1,434) | (2,446) | (1,500) | — |
| **Loss before taxation** | (6,670) | (547) | (1,485) | — |
| Income tax | — | — | — | — |
| **Loss from continuing operation** | (6,670) | (547) | (1,485) | — |
| **Discontinued operation** | | | | |
| **(Loss)/profit from discontinued operation** | (82) | (3,709) | (58) | 797 |
| **(Loss)/profit for the period/year** | (6,752) | (4,256) | (1,543) | 797 |
| **Other comprehensive income** | | | | |
| Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets | — | — | — | (8) |
| **Total comprehensive income for the period/year** | (6,752) | (4,256) | (1,543) | 789 |

| | Six months ended 30 September 2013 | Year ended 31 March 2013 | 2012 | 2011 |
|---|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| **(Loss)/earnings per share** | | | | |
| **Basic and diluted** | | | | |
| — Continuing operation | (1.96) cent | (0.16) cent | (0.43) cent | — |
| — Discontinued operation | (0.02) cent | (1.09) cent | (0.02) cent | 0.2 cent |
| | (1.98) cent | (1.25) cent | (0.45) cent | 0.2 cent |

*Notes:*

1. The auditor of the Company did not issue any qualified opinion on the consolidated financial statements of the Group for each of the three years ended 31 March 2011, 2012 and 2013.

2. The Group did not record any non-controlling interests for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013. The Group has not declared any dividends for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013.

3. Save for the "Net unrealised (loss)/gain on financial asset designated at fair value through profit or loss" of ($6,014,000) and $1,014,000 included in "Other net (loss)/income" in the above consolidated statements of comprehensive income for the six months ended 30 September 2013 and for the year ended 31 March 2013 respectively, and the "(loss)/profit from discontinued operation" above, the Group had no exceptional and extraordinary items for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013.

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2013 as extracted from the annual report of the Company for the year ended 31 March 2013.

**Consolidated Statement of Comprehensive Income**
*For the year ended 31 March 2013*
*(Expressed in United States dollars)*

| | Note | 2013<br>*$'000* | 2012<br>*$'000*<br>(restated<br>*(note 7)*) |
|---|---|---|---|
| **Continuing operation** | | | |
| **Turnover** | *3* | 44,639 | — |
| Cost of sales | | (43,801) | — |
| **Gross profit** | | 838 | — |
| Other revenue | *4* | 122 | — |
| Other net income | *4* | 1,125 | 15 |
| Selling and distribution expenses | | (186) | — |
| Administrative expenses | | (2,446) | (1,500) |
| **Loss before taxation** | *5* | (547) | (1,485) |
| Income tax | *6(a)* | — | — |
| **Loss from continuing operation** | | (547) | (1,485) |
| **Discontinued operation** | | | |
| **Loss from discontinued operation** | *7* | (3,709) | (58) |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | *$'000* | *$'000* (restated (*note 7*)) |
| **Loss and total comprehensive income for the year** | | (4,256) | (1,543) |
| **Loss per share** | *11* | | |
| Basic and diluted | | | |
| — Continuing operation | | (0.16) cent | (0.43) cent |
| — Discontinued operation | | (1.09) cent | (0.02) cent |
| | | (1.25) cent | (0.45) cent |

**Consolidated Statement of Financial Position**

*At 31 March 2013*

*(Expressed in United States dollars)*

| | *Note* | **2013** *$'000* | **2012** *$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | 296 | 581 |
| **Current assets** | | | |
| Financial asset designated at fair value through profit or loss | *14* | 6,014 | — |
| Inventories | *15* | — | 4,153 |
| Trade and other receivables | *16* | 693 | 8,632 |
| Cash and cash equivalents | *18* | 25,047 | 25,826 |
| | | 31,754 | 38,611 |
| **Current liabilities** | | | |
| Trade and other payables | *19* | 1,041 | 3,978 |
| Current taxation | *22(a)* | 48 | 48 |
| | | 1,089 | 4,026 |
| **Net current assets** | | 30,665 | 34,585 |
| **NET ASSETS** | | 30,961 | 35,166 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *23(b)* | 440 | 440 |
| Reserves | | 30,521 | 34,726 |
| **TOTAL EQUITY** | | 30,961 | 35,166 |

**Statement of Financial Position**

*At 31 March 2013*

*(Expressed in United States dollars)*

| | Note | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 13 | 1 | 1 |
| **Current assets** | | | |
| Deposits | 16 | — | 5,000 |
| Amounts due from subsidiaries | 17 | 30,486 | 4,577 |
| Cash and cash equivalents | 18 | 40 | 23,975 |
| | | 30,526 | 33,552 |
| **Current liabilities** | | | |
| Other payables and accrued expenses | 19 | 101 | 247 |
| **Net current assets** | | 30,425 | 33,305 |
| **NET ASSETS** | | 30,426 | 33,306 |
| **CAPITAL AND RESERVES** | 23(a) | | |
| Share capital | | 440 | 440 |
| Reserves | | 29,986 | 32,866 |
| **TOTAL EQUITY** | | 30,426 | 33,306 |

**Consolidated Statement of Changes in Equity**

*For the year ended 31 March 2013*

*(Expressed in United States dollars)*

| | Share capital | Contributed surplus | Share option reserve | Retained profits | Total equity |
|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Balance at 1 April 2011** | 440 | 15,088 | — | 21,181 | 36,709 |
| **Change in equity for the year ended 31 March 2012:** | | | | | |
| Loss and total comprehensive income for the year | — | — | — | (1,543) | (1,543) |
| **Balance at 31 March 2012 and 1 April 2012** | 440 | 15,088 | — | 19,638 | 35,166 |
| **Changes in equity for the year ended 31 March 2013:** | | | | | |
| Loss and total comprehensive income for the year | — | — | — | (4,256) | (4,256) |
| Equity settled share-based transactions *(note 21)* | — | — | 51 | — | 51 |
| **Balance at 31 March 2013** | 440 | 15,088 | 51 | 15,382 | 30,961 |

**Consolidated Cash Flow Statement**
*For the year ended 31 March 2013*
*(Expressed in United States dollars)*

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | (4,256) | (1,543) |
| Adjustments for: | | | |
| Depreciation | 5(b) | 158 | 114 |
| Interest income | 4 | (14) | (2) |
| Net unrealised gain on financial asset designated at fair value through profit or loss | 4 | (1,014) | — |
| Gain on disposal of property, plant and equipment | 4 | (464) | — |
| Equity settled share-based payment expenses | 5(a) | 51 | — |
| Changes in working capital: | | | |
| Decrease in inventories | | 4,153 | 1,153 |
| Decrease in trade and other receivables | | 2,939 | 603 |
| Decrease in trade and other payables | | (2,937) | (506) |
| **Net cash used in operating activities** | | (1,384) | (181) |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | (160) | (267) |
| Proceeds from sale of property, plant and equipment | | 751 | — |
| Deposit paid for proposed investment | 14 | — | (5,000) |
| Interest received | | 14 | 2 |

| | Note | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| **Net cash generated from/(used in) investing activities** | | 605 | (5,265) |
| **Net decrease in cash and cash equivalents** | | (779) | (5,446) |
| **Cash and cash equivalents at beginning of the year** | | 25,826 | 31,272 |
| **Cash and cash equivalents at end of the year** | *18* | 25,047 | 25,826 |

## Notes to the Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2013 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical costs basis except for financial assets designated at fair value through profit or loss which are stated at fair value as explained in the accounting policy set out in note 1(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Major sources of estimation uncertainty in the application of HKFRSs that have significant effect on the financial statements are discussed in note 2.

**(c) Change in accounting policies**

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These amendments have no significant impact on the Group's financial statements.

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

**(d) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale.

**(e) Financial assets designated at fair value through profit or loss**

The Group has designated financial assets at fair value through profit or loss in either of the following circumstances:

— The assets are managed, evaluated and reported internally on a fair value basis.

— The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

— The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Investments in debt and equity securities under this category are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. These investments are subsequently accounted for at fair value and are not generally allowed to be reclassified into or out of this category while held or issued. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

| | |
|---|---|
| — Leasehold improvements | 4 years or over the remaining term of the lease, if shorter |
| — Plant and machinery | 4 — 10 years |
| — Furniture, fixtures and equipment | 4 years |
| — Motor vehicles | 4 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(g) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

***(i) Classification of assets leased to the Group***

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

*(ii) Operating leases charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

**(h) Impairment of assets**

*(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(h)(ii).

— For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

***(ii) Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(i) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(j) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(k) Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(m) Employee benefits**

***(i) Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits.)

*(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(n) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(o) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(p) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

***(i) Sale of goods***

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

***(ii) Interest income***

Interest income is recognised as it accrues using the effective interest method.

**(q) Translation of foreign currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States dollars, which is both the Company's presentation currency and functional currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of entities with functional currency other than United States dollars are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity with functional currency other than United States dollars, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**(r) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

**(s) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(t) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2. ACCOUNTING ESTIMATES

**Key sources of estimation uncertainty**

Notes 21 and 24 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

***(i) Useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the assets of similar nature and functions and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

***(ii) Impairment losses for bad and doubtful debts***

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the receivables, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers were to deteriorate, actual write-offs would be higher than estimated.

***(iii) Unlisted investments***

The fair value of financial asset designated at fair value through profit or loss is significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 24(g).

*(iv) Other impairment losses*

If circumstances indicate that the carrying value of property, plant and equipment may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to estimate precisely fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

*(v) Net realisable value of inventories*

Inventories are reviewed periodically to assess whether any write-down or reversal of write-down of inventories is required. The estimate is based primarily on latest invoice prices and current market conditions. This is reviewed regularly and adjusted if necessary.

*(vi) Income taxes*

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

## 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, 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 year is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| | | (restated) |
| **Continuing operation** | | |
| Sale of coal | 44,639 | — |
| **Discontinued operation** | | |
| Sale of footwear products | 13,112 | 27,967 |
| | 57,751 | 27,967 |

Revenue from customers contributing over 10% of the Group's revenue are as follows:

| | Coal trading | Footwear business |
|---|---|---|
| | *$'000* | *$'000* |
| **2013** | | |
| Customer A | 44,639 | — |
| Customer B | — | 7,096 |
| 2012 | | |
| Customer B | — | 11,570 |
| Customer C | — | 5,438 |

Details of concentrations of credit risk arising from these customers are set out in Note 24(a).

Further details regarding the Group's principal activities are disclosed below.

### (b) Segment reporting

In the prior year, 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. The primary segment information was analysed on the basis of geographical segments by location of customers. During the current year, the Group discontinued the footwear business in January 2013. Further, the Group commenced the coal trading business in October 2012.

Since the commencement of the Group's coal trading business, the Group manages its business by divisions, which are organised by business lines and focus more specifically on the operation efficiency by each operation unit. 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 business segments for the year ended 31 March 2013 — 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 reporting segments. Amounts reported for the prior year 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 |

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of investment in financial asset, intercompany receivables and other corporate assets. Segment liabilities include current taxation, creditors, other payables and accrued expenses attributable to the activities of the individual segments, with the exception of intercompany payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit 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.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2013 and 2012 is set out below.

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Continuing operation | Discontinued operation | Total | Continuing operation | Discontinued operation | Total |
| | Coal trading | Footwear business | | Coal trading | Footwear business | |
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Revenue** | | | | | | |
| Reportable segment revenue | 44,639 | 13,112 | 57,751 | — | 27,967 | 27,967 |
| **Results** | | | | | | |
| Reportable segment results (EBIT) | (26) | (3,709) | (3,735) | — | (58) | (58) |
| Net unrealised gain on financial asset designated at fair value through profit or loss | | | 1,014 | | | — |
| Unallocated head office and corporate expenses | | | (1,535) | | | (1,485) |
| Consolidated loss for the year | | | (4,256) | | | (1,543) |
| Additions to non-current segment assets during the year | 160 | — | 160 | — | 9 | 9 |
| Depreciation for the year | 95 | 63 | 158 | — | 90 | 90 |
| **Assets** | | | | | | |
| Segment assets | 25,462 | 533 | 25,995 | — | 9,725 | 9,725 |
| Financial asset designated at fair value through profit or loss | | | 6,014 | | | — |
| Deposit | | | — | | | 5,000 |
| Unallocated head office and corporate assets | | | 41 | | | 24,467 |
| Consolidated total assets | | | 32,050 | | | 39,192 |
| **Liabilities** | | | | | | |
| Segment liabilities | 794 | 176 | 970 | — | 3,675 | 3,675 |
| Unallocated head office and corporate liabilities | | | 119 | | | 351 |
| Consolidated total liabilities | | | 1,089 | | | 4,026 |

*(ii)* ***Geographic 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** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| | | (restated) | | (restated) |
| **Continuing operation** | | | | |
| The People's Republic of China ("PRC") | 44,639 | — | 296 | 236 |
| **Discontinued operation** | | | | |
| The PRC | 12,901 | 26,858 | — | 345 |
| Asia (other than the PRC) | 211 | 1,109 | — | — |
| | 13,112 | 27,967 | — | 345 |
| | 57,751 | 27,967 | 296 | 581 |

## 4. OTHER REVENUE AND NET INCOME

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| | | (restated) |
| **Other revenue** | | |
| **Continuing operation** | | |
| — Bank interest income | 13 | — |
| — Others | 109 | — |
| | 122 | — |
| **Discontinued operation** | | |
| — Bank interest income | 1 | 2 |
| — Others | 39 | 5 |
| | 40 | 7 |
| | 162 | 7 |
| **Other net income** | | |
| **Continuing operation** | | |
| — Net foreign exchange gain | 111 | 15 |
| — Net unrealised gain on financial asset designated at fair value through profit or loss *(note 14)* | 1,014 | — |
| | 1,125 | 15 |
| **Discontinued operation** | | |
| — Net foreign exchange loss | (68) | (234) |
| — Scrap sales | 399 | 307 |
| — Gain on disposal of property, plant and equipment | 464 | — |
| | 795 | 73 |
| | 1,920 | 88 |

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| | | (restated) |
| **(a) Staff costs** | | |
| **Continuing operation** | | |
| Contributions to defined contribution retirement plans | 14 | 3 |
| Equity settled share-based payment expenses *(note 21)* | 51 | — |
| Salaries, wages and other benefits | 1,586 | 543 |
| | 1,651 | 546 |
| **Discontinued operation** | | |
| Contributions to defined contribution retirement plans | 66 | 74 |
| Salaries, wages and other benefits | 3,536 | 6,627 |
| Termination benefits | 2,135 | — |
| | 5,737 | 6,701 |
| | 7,388 | 7,247 |
| **(b) Other items** | | |
| **Continuing operation** | | |
| Auditors' remuneration — audit services | 91 | 50 |
| Depreciation | 95 | 24 |
| Operating lease charges in respect of properties | 288 | 118 |
| Cost of inventories | 43,801 | — |
| **Discontinued operation** | | |
| Auditors' remuneration | | |
| — audit services | 32 | — |
| — non-audit services | 45 | — |
| Depreciation | 63 | 90 |
| Cost of inventories* | 14,468 | 26,330 |

* Cost of inventories include $2,965,000 (2012: $5,812,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 March 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.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

| | **2013** | **2012** |
|---|---|---|
| | *$'000* | *$'000* |
| Loss before taxation from | | |
| — continuing operation | (547) | (1,485) |
| — discontinued operation | (3,709) | (58) |
| | (4,256) | (1,543) |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned | (701) | (255) |
| Tax effect of non-taxable income | (205) | (2) |
| Tax effect of non-deductible expenses | 884 | 197 |
| Tax effect of tax losses not recognised | 22 | 60 |
| Actual tax expense | — | — |

## 7. DISCONTINUED OPERATION

During the year ended 31 March 2013, the Group ceased the operation of its footwear business. Accordingly, the operating results of the footwear business for the year ended 31 March 2013 are presented as discontinued operation in the financial statements. The presentation of comparative information in respect of the year ended 31 March 2012 has been reclassified to conform to the current year's presentation.

**(a) Results of the discontinued operation:**

| | **2013** | **2012** |
|---|---|---|
| | *$'000* | *$'000* |
| Revenue | 13,112 | 27,967 |
| Cost of sales | (14,468) | (26,330) |
| Other revenue | 40 | 7 |
| Other net income | 795 | 73 |
| Selling and distribution expenses | (109) | (200) |
| Administrative expenses | (829) | (1,575) |
| Restructuring costs | (2,250) | — |
| Loss before taxation | (3,709) | (58) |
| Income tax | — | — |
| Loss for the year | (3,709) | (58) |

**(b) Cash flows of the discontinued operation:**

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| Net cash (used in)/generated from operating activities | (177) | 1,056 |
| Net cash generated from/(used in) investing activities | 752 | (7) |
| Net cash inflow from discontinued operation | 575 | 1,049 |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

| | Directors' fees | Salaries, allowances and benefits in kinds | Retirement scheme contributions | Sub-total | Share-based payment *(Note)* | 2013 Total |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Executive directors** | | | | | | |
| Adwin Haryanto SURYOHADIPROJO (appointed on 4 July 2012) | — | 44 | — | 44 | — | 44 |
| CHUA Chun Kay | 120 | — | — | 120 | — | 120 |
| Junaidi YAP (appointed on 16 May 2012) | — | 443 | 2 | 445 | 51 | 496 |
| David Michael GORMLEY (retired on 21 September 2012) | — | 200 | — | 200 | — | 200 |
| **Independent non-executive directors** | | | | | | |
| LAM Pun Yuen, Frank | 15 | — | — | 15 | — | 15 |
| NGAN Hing Hon | 15 | — | — | 15 | — | 15 |
| YEUNG Kin Bond, Sydney | 15 | — | — | 15 | — | 15 |
| Total | 165 | 687 | 2 | 854 | 51 | 905 |

| | Directors' fees | Salaries, allowances and benefits in kinds | Retirement scheme contributions | Sub-total | Share-based payment | 2012 Total |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Executive directors** | | | | | | |
| CHUA Chun Kay | 60 | — | — | 60 | — | 60 |
| David Michael GORMLEY | — | 211 | — | 211 | — | 211 |
| **Independent non-executive directors** | | | | | | |
| LAM Pun Yuen, Frank | 15 | — | — | 15 | — | 15 |
| NGAN Hing Hon | 15 | — | — | 15 | — | 15 |
| YEUNG Kin Bond, Sydney | 15 | — | — | 15 | — | 15 |
| Total | 105 | 211 | — | 316 | — | 316 |

*Note:* This represents the estimated value of share options granted to a director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(m)(ii).

The details of the share options are disclosed under the paragraph "Share option scheme" in the report of the directors and note 21.

## 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2012: three) individuals are as follows:

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| Salaries and other emoluments | 1,115 | 1,100 |
| Retirement scheme contributions | 6 | 2 |
| | 1,121 | 1,102 |

The emoluments of the three (2012: three) individuals with the highest emoluments are within the following bands:

| | **2013 Number of individuals** | **2012 Number of Individuals** |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | 1 | 1 |
| HK$1,500,001 to HK$2,000,000 | — | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 | — |
| HK$4,000,001 to HK$4,500,000 | 1 | — |
| HK$5,000,001 to HK$5,500,000 | — | 1 |
| | 3 | 3 |

## 10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $2,931,000 (2012: $1,143,000) which has been dealt with in the financial statements of the Company.

## 11. 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 $4,256,000 (2012: $1,543,000) and the weighted average of 340,616,934 ordinary shares (2012: 340,616,934 ordinary shares) in issue during the year.

### (b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share for the years ended 31 March 2013 and 2012 as there were no dilutive potential ordinary shares during that year.

## 12. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Leasehold improvements *$'000* | Plant and machinery *$'000* | Furniture, fixtures and equipment *$'000* | Motor vehicles *$'000* | Total *$'000* |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 April 2011 | — | 842 | 18 | 131 | 991 |
| Additions | 125 | 9 | 133 | — | 267 |
| Disposals | — | — | (13) | (131) | (144) |
| At 31 March 2012 | 125 | 851 | 138 | — | 1,114 |
| **Accumulated depreciation:** | | | | | |
| At 1 April 2011 | — | 423 | 12 | 128 | 563 |
| Charge for the year | 14 | 85 | 12 | 3 | 114 |
| Written back on disposals | — | — | (13) | (131) | (144) |
| At 31 March 2012 | 14 | 508 | 11 | — | 533 |
| **Net book value:** | | | | | |
| At 31 March 2012 | 111 | 343 | 127 | — | 581 |

| | Leasehold improvements *$'000* | Plant and machinery *$'000* | Furniture, fixtures and equipment *$'000* | Motor vehicles *$'000* | Total *$'000* |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 April 2012 | 125 | 851 | 138 | — | 1,114 |
| Additions | 29 | — | 33 | 98 | 160 |
| Disposals | — | (851) | (11) | — | (862) |
| At 31 March 2013 | 154 | — | 160 | 98 | 412 |
| **Accumulated depreciation:** | | | | | |
| At 1 April 2012 | 14 | 508 | 11 | — | 533 |
| Charge for the year | 44 | 62 | 38 | 14 | 158 |
| Written back on disposals | — | (570) | (5) | — | (575) |
| At 31 March 2013 | 58 | — | 44 | 14 | 116 |
| **Net book value:** | | | | | |
| At 31 March 2013 | 96 | — | 116 | 84 | 296 |

## 13. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Unlisted shares, at cost | 1 | 1 |

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| **Name** | **Place of incorporation and operations** | **Particulars of issued and paid up share capital** | **Group's effective interest** | **Held by the Company** | **Held by a subsidiary** | **Principal activity** |
| Able Point Corporation Limited | Hong Kong | 1,000,000 ordinary shares of HK$1 each | 100% | — | 100% | Investment holding |
| Ares Repco Limited (previously known as Able Diamond Limited) | Hong Kong | 2,000,000 ordinary shares of HK$1 each | 100% | — | 100% | Coal trading |
| Brave Win Industries Limited | Hong Kong | 21,000,000 ordinary shares of HK$1 each and 9,000,000 non-voting deferred shares of HK$l each | 100% | — | 100% | Manufacturing of sole units |

## 14. FINANCIAL ASSET DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2013** | **2012** |
|---|---|---|
| | *$'000* | *$'000* |
| **At fair value:** | | |
| Overseas unlisted exchangeable bond | 6,014 | — |

During the year ended 31 March 2012, a refundable deposit of $5,000,000 (the "Refundable Deposit") was placed by the Company to PT Langit Timur Energy ("LTE"), an independent third party and a company established in Indonesia with limited liability, regarding the Company's intention to participate in the tender offer of a coal offtake agreement and to act as a marketing agency of certain coal concessions in Indonesia, as well as the proposed acquisition of certain equity interests in such coal concessions.

Such Refundable Deposit was included in "Trade and other receivables" at 31 March 2012 as set out in note 16.

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 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 $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.

The Refundable Deposit was used to offset against the consideration for the subscription of the Exchangeable Bond.

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 have 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.

LTE can redeem the Exchangeable Bond at any time prior to the maturity and the redemption price is fixed at approximately $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).

The Group has designated the Exchangeable Bond as a financial asset at fair value through profit or loss upon initial recognition and a fair value gain of $1,014,000 was recognised during the year ended 31 March 2013. The valuation was carried out by an independent valuer, Greater China Appraisal Limited.

## 15. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Raw materials | — | 1,613 |
| Work in progress | — | 957 |
| Finished goods | — | 1,583 |
| | — | 4,153 |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Carrying amount of inventories sold | 58,215 | 26,330 |
| Write-down of inventories | 54 | — |
| | 58,269 | 26,330 |

## 16. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Trade debtors | — | 3,318 | — | — |
| Deposits *(note 14)* | — | 5,000 | — | 5,000 |
| Other receivables | 693 | 314 | — | — |
| | 693 | 8,632 | — | 5,000 |

All of the Group's and the Company's deposits and other receivables are expected to be recovered or recognised as an expense within one year as at 31 March 2013 and 2012.

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:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Within 30 days | — | 1,747 |
| More than 30 days but within 60 days | — | 1,554 |
| More than 90 days | — | 17 |
| | — | 3,318 |

The credit terms offered by the Group to its customers differ with each business line. 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 receive all the documents as stipulated in the sales agreements. The credit terms offered to customers of footwear business are normally 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

The ageing analysis of trade debtors based on the past due status as of the end of the reporting period is as follows:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Neither past due nor impaired | — | 3,168 |
| Within 30 days past due | — | 133 |
| More than 90 days past due | — | 17 |
| Amounts past due | — | 150 |
| | — | 3,318 |

Trade debtors relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 31 March 2012.

## 17. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

## 18. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Deposits with banks | 5,004 | 15,000 | — | 15,000 |
| Cash at bank and in hand | 20,043 | 10,826 | 40 | 8,975 |
| | 25,047 | 25,826 | 40 | 23,975 |

## 19. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Trade creditors | — | 1,208 | — | — |
| Other payables and accrued expenses | 1,041 | 2,770 | 101 | 247 |
| | 1,041 | 3,978 | 101 | 247 |

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors, based on invoice date, is as follows:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Within 30 days | — | 563 |
| More than 30 days but within 60 days | — | 638 |
| More than 90 days | — | 7 |
| | — | 1,208 |

### 20. EMPLOYEE RETIREMENT BENEFITS

**Defined contribution retirement plans**

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government in the Guangdong Province whereby the Group is required to make contributions to the Scheme at certain percentage of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $25,000 ($20,000 prior to June 2012). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the Scheme and the MPF scheme beyond the annual contributions described above.

### 21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

**Share option scheme**

The Company's share option scheme adopted on 30 August 2002 ("the 2002 Scheme") expired on 29 August 2012 and no share options were granted under the 2002 Scheme since its adoption.

At a special general meeting of the Company held on 21 September 2012, the shareholders of the Company approved the adoption of a new share option scheme ("the 2012 Scheme"), pursuant to which the Company's directors may grant options to the employees of the Group, including the Company's directors, and any other persons who the Company's directors consider to have contributed to the Group. The 2012 Scheme was adopted on 21 September 2012 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

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 Company's 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 Company's 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.

During the year ended 31 March 2013, 1,500,000 share options were granted under the 2012 Scheme, neither of them was lapsed nor exercised.

***(i)*** The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

| | **Number of instruments** | **Vesting conditions** | **Contractual life of options** |
|---|---|---|---|
| **Options granted to director:** | | | |
| — on 25 October 2012 | 1,500,000 | Vested immediately | 3 years |

***(ii)*** The number and weighted average exercise prices of share options are as follows:

| | **2013** **Weighted average exercise price** | **Number of options** |
|---|---|---|
| Outstanding at the beginning of the year | — | — |
| Granted during the year | HK$0.63 | 1,500,000 |
| Outstanding at the end of the year | HK$0.63 | 1,500,000 |
| Exercisable at the end of the year | HK$0.63 | 1,500,000 |

The options outstanding at 31 March 2013 had an exercise price of HK$0.63 and a remaining contractual life of 2.6 years.

*(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

| | **25 October 2012** |
|---|---|
| **Fair value of share options and assumptions** | |
| Fair value on the grant date | HK$0.27 |
| Closing share price on the grant date | HK$0.63 |
| Exercise price | HK$0.63 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Option Pricing Model) | 64.46% |
| Option life (expressed as weighted average life used in the modelling under Black-Scholes Option Pricing Model) | 3 years |
| Expected dividend yield | 0% |
| Risk-free interest rate (based on Exchange Fund Notes) | 0.23% |

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service conditions or market conditions associated with the share options granted.

**22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**(a)** Current taxation in the consolidated statement of financial position represents:

| | **The Group** | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Balance of income tax provision relating to prior years | 48 | 48 |

**(b) Deferred tax assets not recognised**

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $497,000 (2012: $365,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under the current tax legislation.

## 23. CAPITAL AND RESERVES

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

***The Company***

| | Share capital | Contributed surplus | Share option reserve | Retained profits | Total |
|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Balance at 1 April 2011** | 440 | 15,088 | — | 18,921 | 34,449 |
| **Change in equity for the year ended 31 March 2012:** | | | | | |
| Loss and total comprehensive income for the year | — | — | — | (1,143) | (1,143) |
| **Balance at 31 March 2012 and 1 April 2012** | 440 | 15,088 | — | 17,778 | 33,306 |
| **Changes in equity for the year ended 31 March 2013:** | | | | | |
| Loss and total comprehensive income for the year | — | — | — | (2,931) | (2,931) |
| Equity settled share-based transactions *(note 21)* | — | — | 51 | — | 51 |
| **Balance at 31 March 2013** | 440 | 15,088 | 51 | 14,847 | 30,426 |

**(b) Share capital**

***(i) Authorised and issued share capital***

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| | | *$'000* | | *$'000* |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.01 each | 36,000,000,000 | 46,452 | 36,000,000,000 | 46,452 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013 | 340,616,934 | 440 | 340,616,934 | 440 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

***(ii) Terms of unexpired and unexercised share options at the end of the reporting period***

| Exercise period | Exercise price | 2013 Number | 2012 Number |
|---|---|---|---|
| 25 October 2012 to 23 October 2015 | HK$0.63 | 1,500,000 | — |

**(c) Nature and purpose of reserves**

***(i) Contributed surplus***

Contributed surplus arose from the group reorganisation in prior years.

***(ii) Share option reserve***

The share option reserve comprises the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(m)(ii).

**(d) Distributability of reserves**

In addition to retained profits, under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

At 31 March 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to $29,935,000 (2012: $32,866,000).

**(e) Dividends**

The directors do not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

**(f) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 March 2013 was $30,961,000 (2012: $35,166,000).

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group reviews the capital structure on a regular basis and considers the cost of capital and the associated risks. Based on recommendations of the board of directors, the Group will balance its overall capital structure through adjusting the amount of dividends paid to shareholders, new shares issues or new debt financing. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 2012.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate, and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its investment in exchangeable bond.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables and financial asset designated at fair value through profit or loss. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit terms offered by the Group to its customers are set out in note 16 to the financial statements.

For investments in debt instruments, the evaluations are performed based on the credit ratings of the issuers as well as the underlying value of the assets attached to the debt instruments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. There was no trade receivable for the Group as at 31 March 2013. At 31 March 2012, 49% and 92% of the total trade receivable was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

**(c) Interest rate risk**

The Group's interest rate risk arises primarily from the Group's financial asset designated at fair value through profit or loss with fixed rates, which expose the Group to fair value interest rate risk. However, the directors of the Company consider the Group's exposure to fair value interest rate risk is not significant as the Group's financial asset designated at fair value through profit or loss with fixed rates is within short maturity period.

**(d) Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD") and Renminbi ("RMB"). The Group considers the risk of movements in exchange rates between the HKD and the United States dollars ("USD") to be insignificant as the HKD is pegged to the USD.

***(i) Exposure to currency risk***

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in USD, translated using the spot rate at the year end date.

*The Group*

| | Exposure to foreign currencies (expressed in USD) | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | HKD | RMB | HKD | RMB |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Trade and other receivables | 94 | — | 1,744 | — |
| Cash and cash equivalents | 1,252 | 11 | 9,317 | 63 |
| Trade and other payables | (271) | (47) | (322) | (1,962) |
| | 1,075 | (36) | 10,739 | (1,899) |

*The Company*

| | Exposure to foreign currencies (expressed in USD) | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | HKD | RMB | HKD | RMB |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Cash and cash equivalents | 40 | — | 8,974 | — |
| Trade and other payables | (101) | — | (247) | — |
| | (61) | — | 8,727 | — |

*(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's loss after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rate** | **Increase/ (decrease) in loss after tax and decrease/ (increase) in retained profits** *$'000* | **Increase/ (decrease) in foreign exchange rate** | **Increase/ (decrease) in loss after tax and decrease/ (increase) in retained profits** *$'000* |
| Renminbi | 5% | 2 | 5% | 95 |
| | (5)% | (2) | (5)% | (95) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and retained profits measured in the respective functional currencies, translated into USD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

**(e) Equity price risk**

The Group is exposed to equity price changes arising from the underlying shares attached to the unlisted Exchangeable Bond which is classified as financial asset designated at fair value through profit or loss (see note 14), and is held for strategic purposes. The management monitors regularly the performance of the Exchangeable Bond against expectation, together with an assessment of its relevance to the Group's strategic plans.

At 31 March 2013, it is estimated that a general increase of 20% in the relevant equity price risk variable associated with the underlying exchangeable equity interests of the Exchangeable Bond would decrease the Group's loss after tax and increase the Group's retained profits by approximately $707,000, whereas a general decrease of 20% in the such relevant equity price variable would increase the Group's loss after tax and decrease the Group's retained profits by approximately $112,000, with all other variables held constant.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and retained profits in response to reasonable change in the value of the unlisted underlying exchangeable equity interest of the Exchangeable Bond.

**(f) Fair values**

***(i) Financial instruments carried at fair value***

HKFRS 7, Financial instruments: Disclosures requires disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market date.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 March 2013, the Group's financial asset designated at fair value through profit or loss of $6,014,000 (2012: $Nil) falls into Level 3 of the fair value hierarchy described above.

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

*The Group*

| | **Financial asset designated at fair value through profit or loss** *$'000* |
|---|---|
| At 1 April 2011, 31 March 2012 and 1 April 2012 | — |
| Purchases | 5,000 |
| Gain on fair value change recognised in profit or loss | 1,014 |
| At 31 March 2013 | 6,014 |

***(ii) Fair values of financial instruments carried at other than fair value***

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2013 and 2012 because of the immediate or short term maturity of the financial instruments.

**(g) Estimation of fair values**

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. In the absence of an organised secondary market, the unlisted exchangeable bond where direct market prices are not available, the fair value of which is calculated on the basis of well-established valuation techniques using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in a future sale.

These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of the exchangeable bond, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair value. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realised in an immediate sale of the instruments.

The fair value of the Group's unlisted Exchangeable Bond is estimated using an appropriate combination of (1) effective interest method; (2) Black-Scholes model with Trinomial Tree method; and (3) open market value by reference to comparable market transactions adjusted to reflect the specific circumstances of the underlying exchangeable equity interests of the bond.

## 25. OPERATING LEASE COMMITMENT

At 31 March 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **The Group** | |
|---|---|---|
| | **2013** | **2012** |
| | *$'000* | *$'000* |
| Within 1 year | 290 | 307 |
| After 1 year but within 5 years | 181 | 499 |
| | 471 | 806 |

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.

## 26. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in elsewhere in the consolidated financial statements, the Group entered into the following related party transactions.

**Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| Salaries and other short-term employee benefits | 2,237 | 1,416 |
| Share-based payments | 51 | — |
| Retirement scheme contributions | 10 | 2 |
| | 2,298 | 1,418 |

Total remuneration is disclosed in "staff costs" (see note 5(a)).

**27. IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At 31 March 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Star Crown Capital Ltd, which is incorporated in the British Virgin Islands. The entity does not produce financial statements available for public use.

**28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income* | 1 July 2012 |
| HKFRS 10, *Consolidated financial statements* | 1 January 2013 |
| HKFRS 12, *Disclosure of interests in other entities* | 1 January 2013 |
| HKFRS 13, *Fair value measurement* | 1 January 2013 |
| HKAS 27, *Separate financial statements (2011)* | 1 January 2013 |
| Revised HKAS 19, *Employee benefits* | 1 January 2013 |
| *Annual improvements to HKFRSs 2009-2011 Cycle* | 1 January 2013 |
| Amendments to HKFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities* | 1 January 2013 |
| Amendments to HKAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities* | 1 January 2014 |
| HKFRS 9, *Financial instruments* | 1 January 2015 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application but is not yet in a position to state whether these amendments and new standards would have a significant impact on the consolidated financial statements.

## 3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the group for the six months ended 30 September 2012 as extracted from the interim report of the Company for the six months ended 30 September 2013.

**Consolidated Statement of Comprehensive Income**
*For the six months ended 30 September 2013*

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 September | |
| | | **2013** | **2012** |
| | *Note* | *US$'000* | *US$'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) |

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 September | |
| | | **2013** | **2012** |
| | *Note* | *US$'000* | *US$'000* |
| | | | (restated *(note 7)*) |
| **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 |

**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 | — |
| | | 594 | 296 |
| **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 |
| | | 23,934 | 31,754 |
| **Current liabilities** | | | |
| Other payables and accrued expenses | | 271 | 1,041 |
| Current taxation | | 48 | 48 |
| | | 319 | 1,089 |
| **Net current assets** | | 23,615 | 30,665 |
| **Net assets** | | 24,209 | 30,961 |
| **Capital and reserves** | | | |
| Share capital | | 440 | 440 |
| Reserves | | 23,769 | 30,521 |
| **Total equity** | | 24,209 | 30,961 |

**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 |

**Condensed Consolidated Cash Flow Statement**
*For the six months ended 30 September 2013*

| | | Unaudited Six months ended 30 September | |
|---|---|---|---|
| | | **2013** | **2012** |
| | *Note* | *US$'000* | *US$'000* |
| **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 |

## 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.

### 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.

**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.

## 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** | **2012** |
| | *US$'000* | *US$'000* (restated) |
| **Continuing operation** | | |
| Sale of coal | 60,693 | — |
| **Discontinued operation** | | |
| Manufacturing and sale of footwear products | — | 10,995 |
| | 60,693 | 10,995 |

### (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

*(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 | Footwear business | Total | Coal trading | Footwear business | Total |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'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) |

| | As at 30 September 2013 | | | As at 31 March 2013 | | |
|---|---|---|---|---|---|---|
| | Continuing operation | Discontinued operation | | Continuing operation | Discontinued operation | |
| | Coal trading | Footwear business | Total | Coal trading | Footwear business | Total |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'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.

*(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 |

## 4. OTHER REVENUE AND NET (LOSS)/INCOME

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

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | Six months ended 30 September 2013 US$'000 | 2012 US$'000 (restated) |
|---|---|---|
| ***Continuing operation*** | | |
| Depreciation | 62 | 41 |
| Staff costs | 928 | 946 |
| Cost of inventories | 58,893 | — |
| ***Discontinued operation*** | | |
| 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.

**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** | **2012** |
| | *US$'000* | *US$'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) |
| Loss before taxation | (82) | (3,363) |
| Income tax | — | — |
| 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).

**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.

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

| | At 30 September 2013 | At 31 March 2013 |
|---|---|---|
| | *US$'000* | *US$'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.

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.

## 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 *US$'000* | At 31 March 2013 *US$'000* |
|---|---|---|
| Within 30 days | 50 | — |

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 *US$'000* | At 31 March 2013 *US$'000* |
|---|---|---|
| Deposits with banks | 9,700 | 5,004 |
| Cash at bank and in hand | 13,983 | 20,043 |
| | 23,683 | 25,047 |

## 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.

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.

**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** | **At 31 March 2013** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Within 1 year | 290 | 290 |
| After 1 year but within 5 years | 36 | 181 |
| | 326 | 471 |

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** | **2012** |
| | *US$'000* | *US$'000* |
| Salaries and other short-term employee benefits | 584 | 993 |
| Retirement scheme contributions | 3 | 1 |
| | 587 | 994 |

## 4. MATERIAL CHANGE

The Directors confirm that, save and except the following, there are no material changes in the financial or trading position or outlook of the Company since 31 March 2013 (being the date to which the latest audited account of the Company were made up) up to and including the Latest Practicable Date:

(i) The Company published a profit warning announcement on 15 November 2013 in respect of the substantial increase in the loss for the six months ended 30 September 2013 as compared to the results for same period in 2012 arising from an impairment loss on an exchangeable bond ("**Exchangeable Bond**"). Due to the uncertainty surrounding the recovery of the Group's investment in the Exchangeable Bond pursuant to the secured exchangeable bond agreement dated 30 May 2012 and the supplemental agreement dated 22 March 2013 entered into by Able Point Corporation Limited (an indirect wholly-owned subsidiary of the Company, as the subscriber), with PT Langit Timur Energy (as the issuer), the Company has recorded a fair value loss of US$6,014,000;

(ii) Further to the Group's discontinuation of its footwear manufacturing business (the "**Manufacturing Business**") during the year ended 31 March 2013, the Company ceased to record any turnover from the Manufacturing Business as well as other income arising from net foreign exchange gain, and as disclosed in the Company's announcement dated 26 February 2014 and circular dated 25 March 2014, the Company entered into a sale and purchase agreement dated 26 February 2014 for the disposal of (i) its entire interests in its wholly owned subsidiaries, China Compass Investments Limited and Brave Win Industries Limited; (ii) the shareholder's loan in the principal amount of US$1,578,767 owing by China Compass Investments Limited to the Company. The aforesaid disposal was completed on 10 April 2014 and the expected gain of US$3.2 million from disposal (before deducting any related legal and professional expenses) as disclosed in the Company's announcement dated 26 February 2014 and circular dated 25 March 2014 will be included in the consolidated results of the Group for the year ending 31 March 2015; and

(iii) The Company's indirect wholly-owned subsidiary, Ares Repco Limited, had entered into two long term coal sale and purchase agreements with Enercorp Limited, a marketing agent of two top coal miners in Indonesia on 13 November 2013 and 21 November 2013 respectively, which were supplemented by two supplemental agreements dated 18 February 2014. Enercorp Limited is a third party independent from Mr. CHUA and his concert parties or the Offeror and parties acting in concert with it. Pursuant to these agreements, Ares Repco Limited paid a total amount of US$13 million as prepayment to this marketing agent in order to obtain discounted price on the coal to be acquired by the Group for its trading business. The prepayment will be offset against the purchase costs of the Group at a rate as set out in the aforesaid agreements. As such, the Group recorded a prepayment equals to this amount and a corresponding decrease in cash and cash equivalents.

## 5. INDEBTEDNESS

As at the close of business on 30 April 2014, being the latest practicable date for the preparation of the indebtedness statement in this Composite Document, the Group did not have any contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and the normal trade bills and payables in the normal course of business, at the close of business on 30 April 2014, the Group did not have any loan capital issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

## 1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Group has been supplied by the Company in compliance with the Takeovers Code and the Listing Rules. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained into this Composite Document misleading.

The information contained in this Composite Document relating to the Offeror has been supplied by the Offeror in compliance with the Takeovers Code and the Listing Rules. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained into this Composite Document misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

| | | |
|---|---|---|
| *Authorised:* | | |
| 36,000,000,000 | Shares | HK$360,000,000 |
| *Issued and fully paid-up* | | |
| 340,616,934 | Shares | HK$3,406,169.34 |

All issued Shares are fully paid-up and rank pari passu with each other in all respects including the rights as to capital, dividends and voting.

The Company has not issued any Shares since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

Set out below were details of the outstanding Share Options as at the Latest Practicable Date:

| Number of Share Options | Date of grant | Exercise period | Exercise price |
|---|---|---|---|
| 1,500,000 | 25 October 2012 | From 25 October 2012 to 23 October 2015 | HK$0.63 |

As at the Latest Practicable Date, apart from the Share Options, the Company did not have any outstanding options, warrants and other convertible securities or rights affecting the Shares.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' Interests

As at the Latest Practicable Date, the interests or short positions of Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock

Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code were as follows:

Share Options outstanding under the Share Option Scheme:

| Name of director | Capacity | Number of underlying Shares (Share Options granted) | Date of grant | Exercise period | Exercise price | Approx. % shareholding |
|---|---|---|---|---|---|---|
| Junaidi YAP | Beneficial Owner | 1,500,000 | 25 October 2012 | From 25 October 2012 to 23 October 2015 | HK$0.63 | 0.44% |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

**(b) Substantial Shareholders' Interests**

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who had interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital varying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital, were as follows:

| Name of Shareholder | Capacity and nature of interest | Number of Shares held | Approximate % of the issued Share |
|---|---|---|---|
| The Offeror | Beneficial owner | 182,458,061 | 53.57 |
| Mr. Chanchai | Interest through controlled corporation | 182,458,061 | 53.57 |

*Note:* Mr. Chanchai is the sole legal and beneficial owner of the entire issued share capital of the Offeror. Therefore, Mr. Chanchai is deemed to have interest in the 182,458,061 Shares held by the Offeror.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, any person acting in concert with it and Mr. Chanchai owned or controlled any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

## 4. INTERESTS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company or any of its Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

## 5. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period, save for the Acquisition, there have been no dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares by the Offeror, any parties acting in concert with it or Mr. Chanchai.

During the Relevant Period, the Directors had the following dealings in the securities of the Company:

(a) the disposal of the Sale Shares (being 182,458,061 Shares) by the Vendor pursuant to the Sale and Purchase Agreement to the Offeror at the Consideration or HK$0.70 per Sale Share.

Save as disclosed above, during the Relevant Period, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

During the Relevant Period,

(a) no subsidiaries of the Company, pension funds of any member of the Group or advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(b) save as provided in the Acquisition, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and

(c) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had any dealings in any Share, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

## 6. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company and the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

## 7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

(a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding of transferring, charging or pledging any Offer Shares acquired in pursuance of the Offers to any other person.

(b) As at the Latest Practicable Date, no person had irrevocably committed themselves to accept or reject the Offers.

(c) As at the Latest Practicable Date and during the Relevant Period, neither the Offeror nor any person acting in concert with it had entered into any arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other person in relation to the Shares.

(d) As at the Latest Practicable Date and during the Relevant Period, neither the Offeror nor any person acting in concert with it had borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(e) As at the Latest Practicable Date, save for the arrangement of resignation as set out under the section headed "Proposed Change of Board Composition of the Company" in the "Letter from Bridge Partners and United Simsen" on page 14 of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers.

(f) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offers.

(g) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any person acting in concert with it or any associate of the Offeror and any other person.

(h) As at the Latest Practicable Date, no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code.

(i) As at the Latest Practicable Date, none of the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any arrangement or indemnity of the kind described in Note 8 to Rule 22 of the Takeovers Code with any person.

(j) As at the Latest Practicable Date, no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares were owned or controlled by a person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(k) As at the Latest Practicable Date, no shareholding in the Company or any convertible securities, warrants, options or derivatives in respect of any Shares was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

(l) As at the Latest Practicable Date, Mr. Junaidi YAP confirmed that he did not intend to accept the Options Offer in respect of his 1,500,000 Share Options and the remaining Directors have no interest in any Shares and Share Options.

(m) As at the Latest Practicable Date and during the Relevant Period, none of the Company or any of the Directors had borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(n) As at the Latest Practicable Date, no benefits (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

(o) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(p) As at the Latest Practicable Date, save for the Sale and Purchase Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

(q) Save for the Sale and Purchase Agreement, there is no consideration (of any form) or other discussions, arrangements, agreements, or understandings between (i) the Offeror and its concert parties on the one hand and (ii) the Vendor and its concert parties on the other, in relation to the voting rights of the Company (including their acquisition or disposal).

(r) Save for the Sale and Purchase Agreement, there is no past or present and contemplated relationships and dealings, business or otherwise, between the Vendor and its concert parties on the one hand and the Offeror and its concert parties on the other.

## 8. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) 3 March 2014, being the last Business Day immediately preceding the date of the first announcement dated 4 March 2014 made by the Company on a possible offer pursuant to Rule 3.7 of the Takeovers Code; (iii) the Last Trading Date; and (iv) the Latest Practicable Date on which trading of the Shares took place:

| **Date** | **Closing price of Shares**<br>*HK$* |
|---|---|
| 30 September 2013 | 0.63 |
| 31 October 2013 | 0.65 |
| 29 November 2013 | 0.79 |
| 31 December 2013 | 0.86 |
| 30 January 2014 | 0.78 |
| 28 February 2014 | 0.81 |
| 3 March 2014 | 0.81 |
| 31 March 2014 | 0.93 |
| 25 April 2014 (Last Trading Date) | 0.99 |
| 30 May 2014 | 1.75 |
| 4 June 2014 (Latest Practicable Date) | 1.60 |

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.80 per Share on 22 May 2014 and HK$0.63 per Share from 5 September 2013 to 7 October 2013 and on 23 October 2013.

## 9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Company or any of its subsidiaries within the two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Company as a whole:

(a) the secured exchangeable bond agreement dated 30 May 2012 and the supplemental agreement dated 22 March 2013 entered into among PT Langit Timur Energy (as the issuer) and Able Point Corporation Limited (an indirect wholly-owned subsidiary of the Company, as the subscriber), PT Mandiri Arya Persada and PT Lintas Sanjaya, in relation to the subscription for the zero coupon secured exchangeable bond due 2014 in the principal amount of US$5,000,000 to be issued by the said issuer;

(b) the sale and purchase agreement dated 24 September 2012 and the supplemental agreement dated 21 December 2012 entered into between Ares Access Limited (an indirect wholly-owned subsidiary of the Company, as the purchaser) and PT Berau Coal Energy Tbk (as the vendor) in relation to the acquisition of approximately 99.96% issued and fully paid-up share capital of PT Mutiara Tanjung Lestari at a consideration of US$13,400,000; and

(c) the sale and purchase agreement dated 26 February 2014 entered into between the Company (as the vendor) and Landway Investments Limited (as the purchaser) in relation to the disposal of: (i) 1 share of Brave Win Industries Limited and the entire issued share capital of China Compass Investments Limited; and (ii) the shareholder's loan in the amount of US$1,578,767 owed by China Compass Investments Limited to the Company, at a consideration of US$3,200,000.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any member of the Group within the two years before the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material.

## 11. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

## 12. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this Composite Document:

| | |
|---|---|
| Bridge Partners | a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| United Simsen | a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| Proton | a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Each of Bridge Partners, United Simsen and Proton has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and references to its name in the form and context in which they appear.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal office and place of business of the Company in Hong Kong at Unit 1602 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) the Company's websites (www.aresasialtd.com and www.irasia.com/listco/hk/aresasia.htm) while the Offers remains open for acceptance:

(a) the memorandum of association of the Company and the Bye-laws;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the years ended 31 March 2012 and 31 March 2013;

(d) the interim report of the Company for the six months ended 30 September 2013;

(e) the letter from Bridge Partners and United Simsen, the text of which is set out on pages 7 to 16 of this Composite Document;

(f) the letter from the Board, the text of which is set out on pages 17 to 23 of this Composite Document;

(g) the letter from the Independent Board Committee to the Independent Shareholders and Optionholder, the text of which is set out on pages 24 to 25 of this Composite Document;

(h) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 43 of this Composite Document;

(i) the written consents referred to in the section headed "Experts and Consents" in this Appendix;

(j) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(k) the Sale and Purchase Agreement.

## 14. MISCELLANEOUS

(a) The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong of the Company is Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong. The company secretary of the Company is Ms. LAM Wai Yee, Sophie.

(b) The registered address of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is Unit 2806, 28/F, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(c) The person acting in concert with the Offeror is Mr. Chanchai and the correspondence address of Mr. Chanchai is Unit 2806, 28/F, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(d) The registered address of Bridge Partners is Room 3303, 33/F, West Tower, Shun Tak Centre, 200 Connaught Road central, Hong Kong.

(e) The registered address of United Simsen is Rooms 1908-1910, 19th Floor, The Center, 99 Queen's Road Central, Hong Kong.

(f) The registered address of Proton is Suites 06-07, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(g) The English texts of this Composite Document and the accompanying Forms of Acceptance shall prevail over the respective Chinese texts in case of any inconsistency.