THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ares Asia Limited (the "**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

ARES ASIA
安域亞洲

ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 645)

MAJOR TRANSACTION
PROPOSED ACQUISITION OF A MINING SERVICES COMPANY
AND
NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A notice convening the special general meeting of the Company to be held at Unit 1602, 16/F, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m., is set out on pages 120 to 121 of this circular.

A form of proxy for the special general meeting is enclosed herewith. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the accompanying from of proxy will not preclude you from attending and voting at the special general meeting should you so wish.

30 October 2012

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the sale and purchase of the Sale Shares pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 24 September 2012 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares
"Announcement"	the announcement of the Company dated 24 September 2012 in relation to the Agreement and the transactions contemplated thereunder
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BKPM"	Indonesia Capital Investment Coordination Board
"Board"	the board of Directors
"Business Agreements"	the Coal Transportation Contract and the Mining Services Contract entered into between MTL and PT Berau Coal, a subsidiary of the Vendor, both dated 3 January 2011, including the joint operation mining (coal hauling and equipment mining services) and the instruction letters in relation to the scope of work of MTL under the Coal Transportation Contract and the Mining Services Contract (including the amendments thereto)
"Business Day(s)"	a day or days other than a Saturday or Sunday or any official public holiday in Indonesia and Hong Kong on which commercial banks are open for general business
"Bye-laws"	the bye-laws of the Company, as amended from time to time
"Closing"	the completion of the sale and purchase of the Sale Shares under the Agreement
"Closing Date"	the date that is three (3) Business Days after satisfaction or waiver (if capable of being waived) of the Conditions in accordance with the terms of the Agreement, or such other date of Closing as agreed between the parties to the Agreement but in any event no later than the Long Stop Date

"Comfort Letter"	the letter to be issued by the Vendor to the Purchaser and MTL at the Closing in relation to, among other things, the Vendor providing comfort to the Purchaser and MTL that PT Berau Coal, the Vendor's subsidiary, will not terminate or suspend the Business Agreements unless otherwise terminated in accordance with the terms thereof; and will not cease its business and operation in the areas that are covered under the Business Agreements
"Company"	Ares Asia Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Company Law"	Law of Indonesia No. 40 Year 2007 regarding Limited Liability Companies
"Conditions"	the conditions precedents set out in the sub-paragraph headed "Conditions precedent" of the section headed "The Agreement dated 24 September 2012" to this circular, and each a "Condition"
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of US$13,400,000 (equivalent to approximately HK$104,520,000) for the Acquisition
"Director(s)"	the director(s) of the Company
"Encumbrances"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right, other preferential arrangement or comparable right of any kind
"Enlarged Group"	the Group and MTL
"Group"	the Company and its subsidiaries
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Third Parties"	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates, and an "Independent Third Party" means any of them
"Indonesia"	Republic of Indonesia
"Latest Practicable Date"	26 October 2012, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	23 December 2012, being ninety (90) calendar days after the date of the Agreement, or such other date as may be agreed in writing by the Purchaser and the Vendor
"Memorandum"	the memorandum of association of the Company, as amended from time to time
"Mr. Zaldi"	Mr. Kasymir Zaldi
"MTL" or "Target Company"	PT Mutiara Tanjung Lestari
"PMA Company"	a foreign investment company in Indonesia (Penanaman Modal Asing Company)
"PRC"	People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Ares Access Limited, an indirect wholly-owned subsidiary of the Company
"Restraint Area"	East Kalimantan, Indonesia and the area around the site areas where MTL engages its business as stated in the Business Agreements
"Rp"	Rupiah, the official currency of Indonesia

"Sale Shares"	22,513,487 shares with nominal value of Rp 1,000 each, representing approximately 99.96% issued and fully paid-up share capital of MTL
"SFO"	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened on Friday, 16 November 2012 at 10:00 a.m. at Unit 1602, 16/F, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, approving the Agreement and all matters contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"US"	the United States of America
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	PT Berau Coal Energy Tbk
"Zaldi Agreement"	the agreement dated on the same date as the Agreement for the sale and purchase of 9,999 shares of MTL by the Vendor to Mr. Zaldi, the existing shareholder of MTL holding one share of MTL as at the Latest Practicable Date
"%"	per cent

For the purposes of illustration only, amounts denominated in US$ in this circular have been translated into HK$ at the rate of US$1 = HK$7.8. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

安域亞洲

ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 645)

Executive Directors:
Mr. Adwin Haryanto SURYOHADIPROJO *(Chairman)*
Mr. CHUA Chun Kay
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

Head Office and Principal Place of Business
Unit 1602, 16th Floor,
LHT Tower,
No. 31 Queen's Road Central,
Central, Hong Kong

30 October 2012

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION PROPOSED ACQUISITION OF A MINING SERVICES COMPANY

INTRODUCTION

Reference is made to the Announcement regarding the Agreement and the transactions contemplated thereunder.

The main purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; and (ii) the notice of the SGM.

THE AGREEMENT DATED 24 SEPTEMBER 2012

On 24 September 2012 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares at the consideration of US$13,400,000 (equivalent to approximately HK$104,520,000).

On the same date of the Agreement, Mr. Zaldi (an existing shareholder of MTL holding one share of MTL) also entered into the Zaldi Agreement, pursuant to which the Vendor conditionally agreed to sell and Mr. Zaldi conditionally agreed to acquire 9,999 shares of MTL. Upon Closing, MTL will be owned as to approximately 99.96% by the Purchaser and approximately 0.04% by Mr. Zaldi (assuming that the Zaldi Agreement shall be completed on or before the Closing Date).

Principal terms of the Agreement are set out below:

Date	24 September 2012	
Parties	Vendor:	PT Berau Coal Energy Tbk, a public limited liability company established under the laws of Indonesia. The shares of which are listed on the Indonesia Stock Exchange. Its principal activities are coal exploration and mining.
	Purchaser:	Ares Access Limited, a limited liability company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Vendor, its associates and ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

22,513,487 shares with nominal value of Rp 1,000 each, in the capital of MTL. The Sale Shares represent approximately 99.96% issued and fully paid-up share capital of MTL. The Sale Shares will be acquired free from and clear of all the Encumbrances. Further information of MTL is set out in the paragraph headed "Information on MTL" below.

Consideration and the payment terms

The Consideration for the acquisition of the Sale Shares is US$13,400,000 (equivalent to approximately HK$104,520,000), payable in cash at Closing. The Consideration will be funded out of internal resources of the Company.

The Consideration is arrived at after arm's length negotiations between the parties to the Agreement with reference to the business valuation of 100% equity interest in MTL at approximately US$14.5 million (equivalent to approximately HK$113,100,000) as at 31 July 2012, representing a discount of approximately 7.5% to such valuation. The valuation was carried out by Greater China Appraisal Limited, an independent valuer, using the discounted cash flow method. Please refer to Appendix V to this circular for details of the valuation report on the business of MTL. The Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent

Closing is conditional upon the satisfaction or waiver (the condition under paragraph (i) below can be waived by the Purchaser or the Vendor (as the case may be) at anytime on or prior to the Closing Date) of the following conditions precedent on or before the Long Stop Date:

(i) each of the representations and warranties of the Vendor and the Purchaser as set out in the Agreement is true, correct and accurate in all material respects;

(ii) all approvals of the Vendor and the Purchaser necessary for the consummation of the Acquisition, including but not limited to any corporate or governmental approvals, consents from the existing creditors of MTL, shall have been obtained (including the necessary documents evidencing such approvals, consents, etc., as may be required by the Purchaser) and shall continue to subsist up to Closing and shall not be subject to any condition or limitation which may affect the Acquisition;

(iii) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Agreement and all matters contemplated therein;

(iv) all approvals as may be necessary to permit the Vendor and the Purchaser to perform their respective obligations under the Agreement and to consummate the Acquisition, including but not limited to the approvals from BKPM, and the non-objection confirmation from the Ministry of Law and Human Rights of Indonesia for the Acquisition, the change of MTL's shareholder from the Vendor to the Purchaser and the change of status of MTL into a foreign capital company (PMA Company) (including the amendments made to the articles of association of MTL reflecting MTL is permitted to engage in its business after obtaining the approvals from BKPM), shall have been duly obtained, made or given, and shall further continue to subsist up to Closing and shall not be subject to any condition or limitation which may affect the Acquisition;

(v) the resolution of all shareholders of MTL approving the Acquisition and the change of MTL's shareholders composition as a result of the Acquisition has been made and obtained in accordance with the provisions of the articles of association of MTL and the Company Law;

(vi) the confirmation letter from Mr. Zaldi as the remaining shareholder of MTL in respect of the remaining shares of MTL (other than the Sale Shares) confirming that he waives his right to purchase the Sale Shares has been obtained;

(vii) the issue of the Comfort Letter by the Vendor to the Purchaser and MTL;

(viii) the Acquisition shall not have been terminated in accordance with the terms of the Agreement as set out in the sub-paragraph headed "Termination of the Agreement" below;

(ix) the Purchaser having completed the due diligence investigations against MTL, including but not limited to the business, financial, legal or other conditions of MTL, to the entire satisfaction of the Purchaser; and

(x) the Purchaser's Indonesian counsel having issued a legal opinion to the satisfaction of the Purchaser on MTL, including but not limited to the due and valid establishment and continued existence of MTL; MTL has obtained all necessary approvals, permits and licences required under the laws of Indonesia for the purpose of carrying on the business of MTL as permitted under the laws of Indonesia and its constitutional document and such approvals and permits shall remain valid as at Closing; the shareholding structure of MTL and the legality of all changes in its shareholding structure; the Vendor is the legal and registered owner of the Sale Shares, etc.

The Conditions cannot be waived except that the Condition set out in (i) above may be waived by the Vendor or the Purchaser (as the case may be) at anytime on or prior to the Closing Date.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

Termination of the Agreement

The Agreement may be terminated by either party serving a written notice to the other party prior to the Closing in the following circumstances:

(a) by the Purchaser:

(i) if a breach of any provision of the Agreement has been committed by the Vendor, including any breach of the representations, warranties and undertakings, and such breach continues unremedied by the Vendor to the satisfaction of the Purchaser within the period commencing on the date of the Vendor's receipt of notice from the Purchaser of such breach and ending on the date of the expiry of fourteen (14) Business Days or the date which is five (5) Business Days prior to the Long Stop Date, whichever is earlier, and such breach has not been waived in writing by the Purchaser;

(ii) if the Vendor for whatsoever reason cannot fulfill its obligations under the Agreement prior to the Closing;

(iii) any creditor makes a valid demand for repayment or payment of any indebtedness of MTL in the aggregate amount of US$2 million or in respect of which MTL is liable prior to its stated maturity which demand can reasonably be expected to have a material adverse change or effect on the affairs of MTL;

(iv) any material adverse change (or effect) in the laws or policy of Indonesia which, in the reasonable opinion of the Purchaser, shall have a material adverse effect on MTL;

(v) any notice of termination of the Business Agreements, contracts or arrangements or any claim or notice of demand for breach of the Business Agreements, contracts or arrangements being served by MTL's existing customer, PT Berau Coal, a subsidiary of the Vendor, to MTL prior to the Closing Date;

(vi) any petition is presented for the winding up or liquidation of MTL or MTL makes any composition or arrangement with its creditors or enters into a scheme or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of MTL or anything analogous thereto which can reasonably be expected to have a material adverse change or effect; or

(b) by the Vendor:

(i) if a breach of any provision of the Agreement has been committed by the Purchaser, including any breach of the representations, warranties and undertakings, and such breach continues unremedied by the Purchaser to the satisfaction of the Vendor within the period commencing on the date of the Purchaser's receipt of notice from the Vendor of such breach and ending on the date of the expiry of fourteen (14) Business Days or the date which is five (5) Business Days prior to the Long Stop Date, whichever is earlier and such breach has not been waived in writing by the Vendor;

(ii) if the Purchaser for whatsoever reason cannot fulfill its obligations under the Agreement prior to the Closing; or

(c) by mutual consent in writing of the Purchaser and the Vendor; or

(d) the Closing does not occur until after 5:00 p.m. Jakarta time (or 6:00 p.m. Hong Kong time) on the Long Stop Date.

Upon termination of the Agreement, neither the Vendor nor the Purchaser will have any further obligations nor liability to the other party under the Agreement except for any antecedent breach which occurs prior to the termination of the Agreement.

Non-Competition Undertaking

Pursuant to the Agreement, the Vendor has irrevocably undertaken to the Purchaser that for a period of twenty-four (24) months after the date of Closing, it shall not and shall procure that none of its affiliates and/or companies controlled by it shall, without the prior written consent of the Purchaser or MTL, directly or indirectly, do any of the following: (a) in the Restraint Area carry on or engage in, concerned with or interested in (in any capacity) any business similar to or competitive with the business of MTL; or (b) at any time induce or attempt to induce any employee of MTL to terminate his or her employment with MTL, whether or not such act of that person would constitute a breach of such person's contract of employment; or (c) at any time employ such person(s) who is or may be likely to be in possession of any confidential information or trade secrets relating to the business of MTL.

The non-competition undertakings shall not apply to: (a) the Vendor holding or being interested in shares or other securities in any company which conducts or is engaged in any business of MTL provided that such shares or securities are listed on a recognised stock exchange and the aggregate number of shares in which the Vendor and its affiliates are interested does not amount to more than 50% of the issued share capital of the company in question, provided that the Vendor is not entitled to appoint a majority of the directors of that company and cannot exercise control over the voting power of that company at general meetings and that at all times there is a holder of such shares who holds a larger percentage of the shares in question than the aggregate shareholding of the Vendor; or (b) the Vendor's participation in MTL's projects (including the Business Agreements), investments and businesses at the invitation of MTL where the directors of MTL or of the Purchaser have decided that the participation of the Vendor thereof is appropriate in the circumstances and provided the transaction is entered into in accordance with any applicable laws or regulations.

Closing

Closing shall take place upon satisfaction or waiver of the Conditions (as the case may be) on the Closing Date.

On the Closing Date, the Purchaser shall provide funding to MTL to pay all outstanding amount due from MTL to the Vendor as at the Closing Date ("**Outstanding Amount**") but in any event the Outstanding Amount shall not exceed the sum of US$5.5 million (As at 31 May 2012, MTL owed an amount of US$1.98 million to the Vendor). Upon payment of the Outstanding Amount by MTL to the Vendor, the Vendor agrees that all obligations and liabilities due by MTL to the Vendor in respect of the Outstanding Amount shall be fully released and discharged and the Vendor shall sign and deliver its confirmation of release and discharge of the Outstanding Amount to MTL upon full payment of the Outstanding Amount.

The Zaldi Agreement shall be completed at or about the same time as the Closing on the Closing Date. Furthermore, Mr. Zaldi will issue to the Purchaser a confirmation letter on the Closing Date stating that the shares of MTL held by him from time to time are for the benefit of the Purchaser (the "**Confirmation Letter**").

As stated in the paragraph "Laws and regulations in relation to PMA Companies" of the section headed "Material Relevant Indonesian Laws And Regulations In Relation To Mining Services" in this circular, pursuant to the Company Law, a limited liability company must have at least two shareholders and based on the policy of BKPM, the minimum nominal value of shares being held by each of the shareholder in a PMA Company is Rp10 million. In order to comply with the relevant laws and policy of BKPM, Mr. Zaldi and the Vendor entered into the Zaldi Agreement pursuant to which Mr. Zaldi would acquire an additional 9,999 shares of MTL from the Vendor. Upon completion of the Zaldi Agreement, Mr. Zaldi will be legally interested in 10,000 shares of MTL (representing approximately 0.04% equity interest of MTL) with a share capital of Rp10 million which will satisfy the legal and regulatory requirements. The Directors consider that the shareholding level of Mr. Zaldi is insignificant.

Principal terms of the Confirmation Letter include:

(a) Mr. Zaldi shall take all necessary action to account for and pay all dividends, declaration or distribution received or receivable by him to the Purchaser;

(b) Mr. Zaldi shall exercise all voting rights attached to all shares of MTL registered in his name in accordance with the best benefit of the Purchaser;

(c) Mr. Zaldi shall not exercise any or all of his rights as the registered shareholder of MTL, including any pre-emptive right and right of first refusal, except with the prior written consent of the Purchaser; and

(d) Mr. Zaldi shall execute such further agreements, documents, instruments or deeds as may be required by the Purchaser to give full effect to the above matters.

Given the requirements of the relevant laws of Indonesia, the provision of the Confirmation Letter, which forms part of the Acquisition, serves as the measure by the Company to control and derive all the economic benefits from the shares of MTL held by Mr. Zaldi. The Directors consider that the existing arrangement with Mr. Zaldi is narrowly tailored to minimise any potential conflicts with the relevant laws of Indonesia and is the best of what the Purchaser can do which has given the Purchaser contractual rights to gain control over and to derive all the economic interest in MTL given that the shares held by Mr. Zaldi is insignificant. The Directors intend to impose further measures to enable such arrangement will be enforceable to such extent as permitted by the applicable laws. Upon Closing, the Purchaser will, directly and indirectly, own and control all voting rights and economic benefits from 100% equity interests in MTL.

The Confirmation Letter will be a contractual arrangement between Mr. Zaldi and the Purchaser which will be legally binding, valid and enforceable as between the parties upon due execution and will be governed by the laws of Hong Kong. In case of any breach of obligations by Mr. Zaldi stated therein or any dispute arises between the parties, the Purchaser will take appropriate legal actions against Mr. Zaldi. The parties have agreed that any dispute or claims arise from the Confirmation Letter shall be resolved and settled by arbitration in accordance with the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the rules of the Hong Kong International Arbitration Centre and arbitration will be conducted with the Hong Kong International Arbitration Centre in Hong Kong. As the Confirmation Letter is to be governed by the laws of Hong Kong, the Purchaser has not obtained the confirmation from any authority. As mentioned, the Purchaser will take the appropriate legal actions in Hong Kong as permitted by the laws of Hong Kong, if necessary.

The role of Mr. Zaldi will be merely a local minority shareholder of MTL, he has no role in the board of commissioners nor the board of directors and will not take any responsibilities in MTL and the Group in all aspects.

It is the current intention of the Company to impose certain measures to ensure the economic interests of the shares held by Mr. Zaldi will be transferred to the Purchaser accordingly, such measures include but not limited to, having Mr. Zaldi to assign dividends from MTL to the Purchaser regarding the shares of MTL held by him before distribution, and in the event of sale of MTL's shares, having Mr. Zaldi to assign the consideration payable by the potential purchaser to the Purchaser or its nominated parties. In addition, Mr. Zaldi has agreed to sign further documents, agreements, etc. as may be required to give full effect to the terms set out in the Confirmation Letter. Based on the existing arrangement regarding the shares of MTL held by Mr. Zaldi, the Company will take similar measures as aforementioned in order to seize all assets of MTL in the event of liquidation to the extent permitted by the applicable laws.

No option has been granted to the Company nor the Purchaser to acquire interests in MTL held by Mr. Zaldi as such acquisition of shares would not be in compliance with the relevant laws of Indonesia.

Post-Closing Matter

After Closing, MTL shall be required to report and notify the Ministry of Law and Human Rights of Indonesia and the Ministry of Trade of Indonesia on the change of shareholder, change of shareholding in MTL held by Mr. Zaldi (if required) and the members of the board of commissioners of MTL. The Vendor shall assist and co-operate with the Purchaser and MTL on such post-Closing matters (if so required by them).

COMFORT LETTER

To show the Vendor's commitment to MTL after Closing, as a condition precedent, the Vendor shall issue the Comfort Letter to MTL and the Purchaser on the date of Closing, whereby:

(a) the Vendor will procure PT Berau Coal (a subsidiary of the Vendor), to continue to fulfill its obligations under the Business Agreements in accordance with the terms and conditions contained therein and will not terminate or suspend the Business

Agreements and will not cease its business and operation in the areas that are covered under the Business Agreements during the term thereof provided that MTL continues to fulfill its obligations thereunder; and

(b) notwithstanding the Closing, the Vendor shall agree to assist MTL to continue with the business negotiation in relation to the entering into new business agreement or contract for the provision of mining services and the proposed purchase of not less than fifty-seven (57) equipment in the second half of 2012 and the Vendor will also conclude the necessary agreement or contract with MTL in relation to the rental of the additional equipment.

The Comfort Letter will be non-legally binding but the Company considers that the 10-year term of the Business Agreements will protect the interests of the Purchaser since the Business Agreements are legally binding on both MTL and PT Berau Coal.

As at the Latest Practicable Date, MTL has received confirmation letters from PT Berau Coal confirming the provision of a total of 63 equipment by MTL in the second half of 2012, the total capital expenditure for these 63 additional equipment is estimated to be not more than US$15.5 million (equivalent to approximately HK$120,900,000). It is expected that approximately 20% of the total amount of the capital expenditure will be funded by: (i) the Vendor in the form of shareholder's loan to MTL if it will be required prior to the Closing, which will be repaid by MTL to the Vendor upon Closing (as covered by the Outstanding Amount payable by the Purchaser); or (ii) the Company out of its internal resources if such capital will be required after the Closing. The remaining approximately 80% of the total amount of capital expenditure will be financed by the existing principal banks of MTL, with similar terms and arrangement with the existing bank loans. The addition equipment is expected to be delivered in the fourth quarter of 2012.

Furthermore, the unit rental rate for each of the additional equipment has been agreed, which is more or less the same as the unit rental rates of the existing equipment under the Business Agreements. The parties are currently finalising new business agreement, which is expected to be executed before the end of 2012.

INFORMATION ON THE VENDOR

The Vendor is a coal supplier to markets including but not limited to India, Thailand, China, Korea, Japan, Taiwan and Philippines. It commenced its mining operation in 1983 and was the first coal contractor of coal mining in Indonesia to operate a concession area in Berau of East Kalimantan, Indonesia. The Vendor currently has three coal mining concessions using open pit mining method. The total minable coal reserves of the three coal mining concessions to date are approximately 1,235 million tonnes. The Vendor has engaged several contractors to carry out specified activities within the three mining concessions.

Based on the annual report of the Vendor for 2011, the Vendor produced 19,443,357 tons of coal in 2011 and such scale of operations requires the support from at least several mining contractors. The Directors believe that, in view of: (i) the Vendor's current scale of mining operations; and (ii) proven track record as one of the largest coal miners and being a listed company in Indonesia, the entering into of the Agreement is in the interests of the Company and the Shareholder as a whole.

INFORMATION ON MTL

MTL is a limited liability company established in Indonesia on 22 September 2010. It was acquired by the Vendor on 18 May 2011. The issued share capital of MTL comprises of 22,523,487 shares with nominal value of Rp 1,000 each, which as at the Latest Practicable Date was held as to 22,523,486 shares by the Vendor and one share by Mr. Zaldi. Pursuant to the Zaldi Agreement, Mr. Zaldi agreed to purchase and the Vendor agreed to sell 9,999 shares of MTL which shall be completed at or about the same time as the Closing on the Closing Date. To the best of the Directors' knowledge, Mr. Zaldi is an Independent Third Party and will hold 10,000 shares of MTL upon the completion of the Zaldi Agreement.

MTL engages in the business of coal hauling and mining services in the area of Tanjung Redeb, Regency of Berau, East Kalimantan Province, Indonesia. The sole customer of MTL is PT Berau Coal, a subsidiary of the Vendor, which is operating a few coal mining sites in the area of Tanjung Redeb. MTL has entered into a coal transportation contract (the "**Coal Transportation Contract**") and a mining services contract (the "**Mining Services Contract**") with PT Berau Coal on 3 January 2011 for a term of 10 years. The term of the Coal Transportation Contract commenced from 30 November 2010 to 30 November 2020 and the term of the Mining Services Contract commenced from 1 December 2010 to 30 November 2020. Pursuant to these two contracts, MTL shall provide coal transportation services and shall lease certain heavy equipment (including the provision of skilled and experienced labour, operators and mechanics) to PT Berau Coal in relation to its operation of the mining sites around Binungan, Lati and Sambarata, Parapatan or other mining areas to be determined by the Vendor.

Under the Coal Transportation Contract, MTL will provide coal hauling services to carry the agreed amount of crushed coal from the loading point in Binungan coal crushing plant to Suaran Barge Terminal on a 28 kilometres paved road using eight hauling heavy trucks, each heavy truck is equipped with two vessels together capable of carrying 120 metric tonnes of coal. The provision of the coal hauling services is stipulated in the Coal

Transportation Contract with a term of 10 years ending 30 November 2020, with a fixed unit hauling price, and an annual coal hauling target of 2,500,000 metric tonnes utilizing 8 heavy trucks during the period from 1 January 2012 to 30 June 2016.

MTL and PT Berau Coal will negotiate on the unit hauling price and annual coal hauling target before the end of 2015 for the remaining term of the Coal Transportation Contract. If MTL cannot agree with PT Berau Coal on the unit hauling price and annual coal hauling target for the remaining term of the Coal Transportation Contract, the Company will use its best endeavour to identify new customers in the Kalimantan Province, Indonesia to continue the business of MTL. In view of the growth opportunity of Indonesia's coal industry and most of the coal production activities of Indonesia are located in the Kalimantan Province, the Directors believe that the business of MTL could be able to extend to other coal miners in the Kalimantan Province.

The Directors consider that it is appropriate to review the unit hauling price and annual coal hauling target after 5 years in view of the useful life of around 4-5 years of the hauling trucks. In this case, MTL will be able to reassess the cost of its provision of the subject mining services in order to assure the profitability of the business. MTL will perform a review on the conditions of the hauling trucks and equipment when this period expires, and will consider whether the hauling trucks and equipment should be replaced.

In future discussions on the unit hauling prices and annual coal hauling target, the Directors will take into consideration factors affecting the cost of MTL's mining services, including inflation rate, level of wages, purchase costs of hauling trucks and equipment, etc. Furthermore, the Company will perform business and cashflow analysis before agreeing on any terms for the remaining period of the Business Agreements.

Under the Mining Services Contract, MTL will provide heavy mining equipment and corresponding manpower, operators and mechanics to PT Berau Coal's designated mining sites for a term of 10 years ending 30 November 2020. The heavy equipment provided by MTL includes dump trucks, fuel trucks, water trucks, lubricant trucks, excavators, bulldozers, graders, single drum rollers, tower lamps and water pumps. According to the Mining Services Contract and the ancillary documents, type and number of the equipment, minimum hours of usage of the equipment and the corresponding unit charges per hour or monthly charges were agreed. Furthermore, MTL will assign its skilled and experienced labour and operators to operate the heavy equipment under the instructions of PT Berau Coal's on-site supervisors, and mechanics will be assigned for the repair and maintenance of the equipment.

The audited profits before and after taxation and extraordinary items of MTL for each of the two financial years ended 31 December 2011 (since its date of incorporation on 22 September 2010) and the five months ended 31 May 2012 are set out below (prepared in accordance with generally accepted accounting principles in Hong Kong):

	For the period from the date of incorporation of MTL (22 September 2010) to 31 December 2010 *US$'000* (audited)	Year ended 31 December 2011 *US$'000* (audited)	Five months ended 31 May 2012 *US$'000* (audited)
(Loss)/Profit before tax and extraordinary items	(4)	533	477
(Loss)/Profit after tax and extraordinary items	(4)	415	389

As at 31 May 2012, the audited consolidated net assets value of MTL amounted to approximately US$3.3 million.

Upon Closing, MTL will become a subsidiary of the Company. The Company intends to change the composition of the board of commissioners of MTL while the current composition of board of directors and the senior management of MTL will remain unchanged.

Pursuant to the Agreement, all the existing members of the board of commissioners of MTL will resign at Closing. It is the current intention of the Company to nominate: (i) Mr. Adwin Haryanto SURYOHADIPROJO and (ii) Mr. Junaidi YAP as the new members of the board of commissioners of MTL, who are executive Directors of the Company. Please refer to the circular of the Company dated 31 July 2012 for the biographical details of Mr. Adwin Haryanto SURYOHADIPROJO and Mr. Junaidi YAP.

More members would be nominated by the Company to the board of commissioners of MTL when considered necessary.

MATERIAL RELEVANT INDONESIAN LAWS AND REGULATIONS IN RELATION TO MINING SERVICES

Laws and regulations in relation to mining services

MTL's coal hauling and mining services businesses are subject to Regulation No. 28 of 2009 regarding Mining Service Business ("**PerMen 28/2009**") issued by the Minister of Energy and Mineral Resources ("**MEMR**") of Indonesia on 30 September 2009. PerMen 28/2009 provides the detailed categorization of mining service businesses, save for any non-core mining services business. Based on PerMen 28/2009, there is no detailed explanation on what activities would fall within such category, therefore, any services provided to a licensed Indonesian mining company in support of its mining business activities could have been regarded as "non-core mining services", including the provision of coal hauling services and lease of mining equipment.

Pursuant to PerMen 28/2009, mining contractors and providers of non-core mining services business in Indonesia are required to obtain the Mining Service Business License ("**IUJP**") and Registered Statement Letter ("**SKT**"). IUJP and SKT, issued by the MEMR or other Indonesian government authorities, are valid for a maximum period of three (3) years and may be extended prior to their respective expiry dates. Pursuant to PerMen 28/2009, MTL, holder of both IUJP and SKT should, among other things, not act as mining concession holder and sell mining materials.

MTL has obtained its IUJP and SKT, which are both valid for three (3) years commencing from 3 August 2011 and 13 April 2011 respectively, and both IUJP and SKT of MTL are renewable upon their respective dates of expiration. Under PerMen 28/2009, no renewal of MTL's existing IUJP and SKT are required for MTL's change of status into a PMA Company after Closing. Pursuant to PerMen 28/2009, the renewal of MTL's existing IUJP and SKT prior to their respective dates of expiration will be only necessary if there are any changes of the classifications and qualifications of MTL's business. The change of status of MTL into a PMA company will not be regarded as the changes of the classifications and qualifications of MTL's business.

On the basis that the business of MTL as stipulated in the MTL's existing IUJP and SKT remain unchanged, the Indonesian counsel of the company is of the view that MTL's existing IUJP and SKT will remain valid and foresees no legal impediment or difficulty in renewing the IUJP and SKT by MTL upon their respective dates of expiration.

Laws and regulations in relation to PMA Companies

After Closing, the status of MTL will be changed into a PMA company. Prior to Closing, the approval from BKPM and the non-objection confirmation from the Ministry of Law and Human Rights of Indonesia for the change of MTL's shareholder from the Vendor to the Purchaser and the change of status of MTL into a PMA Company shall be required to be obtained, made or given pursuant to the Agreement. Due to the Company Law, a limited liability company must have at least two shareholders and based on the policy of BKPM, the minimum nominal value of shares being held by each of the shareholder in a PMA Company is Rp10 million.

Upon the completion of the Zaldi Agreement and the Agreement, Mr. Zaldi will hold 10,000 shares in MTL of Rp1,000 each, with an aggregate nominal value of Rp10 million, and the Purchaser will hold the Sale Shares which have complied with the said policy of BKPM.

As MTL is still in the process of obtaining the approval from BKPM, as of the date hereof, the Vendor is unable to confirm whether or not the approval will be granted. After obtaining the approval from BKPM, MTL will report to and notify the Ministry of Law and Human Rights for the change of shareholders and status of MTL which is a post-Closing matter. According to the Company's Indonesian counsel, the approval from the Ministry of Law and Human Rights is just a formality and there should not be any legal impediment or difficulty in complying with such procedural requirements.

Requirement in relation to provision of mining services by PMA Company

As regards the provision of mining services by a PMA company to a licensed Indonesian mining company, pursuant to PerMen 28/2009, if a licensed Indonesian mining company wishes to engage foreign contractors (including PMA Companies), it would have to initially make a newspaper announcement and there should have been no local and/or national (Indonesian) contractors, financially and technically, capable of undertaking the works and meeting the requirements set out by the said licensed Indonesia mining company. Also, the process of electing foreign contractors must be fair, transparent and reasonable. The said restriction is applicable to the following mining services: consultancy, planning, implementation and testing of equipment in the field of general survey, exploration, feasibility study, mining construction, transportation, mining environment, reclamation and post mining and/or health and safety of work; and consultancy, planning and testing of equipment in the field of mining or processing and refining.

The provision of the existing coal hauling services and lease of mining equipment from MTL has occurred when the status of MTL is still as a local company and therefore the above mentioned requirements in relation to the engagement of foreign contractors by licensed Indonesian mining companies are not applicable to the Vendor and PT Berau Coal before and after the Closing. Upon the change of status of MTL from local company into a PMA Company, except for the provision of existing services as aforementioned by MTL to PT Berau Coal under the Business Agreements, any Indonesian mining company that wishes to engage MTL shall follow the requirement to engage foreign contractors. The Vendor will comply with the requirements in relation to the provision of mining services to when engaging MTL for its mining services for any future contracts.

Environmental Law and regulations

In 2009, the Indonesian Government introduced Law No. 32 of 2009 on Environmental Protection and Management ("**Indonesian Environmental Law**") to uphold environmental protection in Indonesia and to create sustainable development with regard to environmental issues. Other than the Indonesian Environmental Law, environmental protection in Indonesia is also governed by various laws, regulations and decrees. In general, under environmental regulations, any activity having a major or significant impact on the environment must undertake an analysis of the environmental impact of the development. The process is known as the "Amdal" which consists of the preparation of an "Amdal Report" (Environmental Impact Analysis Report); a "RKL" (Environmental Management Plan); and a "RPL" (Environmental Monitoring Plan). Those activities that do not require the Amdal are required to undertake an environmental management effort and/or an environmental monitoring effort. MTL's coal hauling and mining services businesses are subject to the Indonesian Environmental Law and regulations. The IUJP and SKT of MTL both require MTL to undertake environmental management effort in accordance with the provisions under the prevailing regulations.

Taxation in relation to PMA Companies

General Indonesian taxation laws and regulations which apply to PMA Companies also apply to MTL, including corporate income tax and value added tax provisions. The corporate income tax applicable to MTL is 25% for fiscal year 2010 onwards.

GENERAL INDUSTRY OVERVIEW

Set out below is an industry overview on the coal mining services industry of Indonesia.

The performance of Indonesia's mining contracting sector has a strong correlation with the coal production volume of Indonesia. In the recent years, the coal mining contracting business has been developed rapidly in Indonesia.

Although the mining law of Indonesia has imposed some restrictions on foreign companies (PMA Companies) conducting mining contracting and services business in Indonesia, there are sizable mining contractors which are controlled by foreign entities, such as PT Thiess Contractors Indonesia. Some of them listed on the Indonesia Stock Exchange are also owned materially by overseas investors, which include PT United Tractors Tbk, PT ABM Investama Tbk and PT Delta Dunia Makmur Tbk etc. The mining services business in Indonesia is considered capital intensive in nature, and it becomes a relatively high entry barrier for other local mining services companies.

With thermal coal demand rising and being among the lowest-cost producers in the region, it's expected that Indonesia's coal output will continue to rise in the next few years, which represents a long-term growth opportunity for the mining contracting companies in Indonesia. According to the Indonesian Coal Mining Association, the annual coal production of Indonesia is expected to reach 560 million tonnes by 2025.

Indonesian Coal Industry

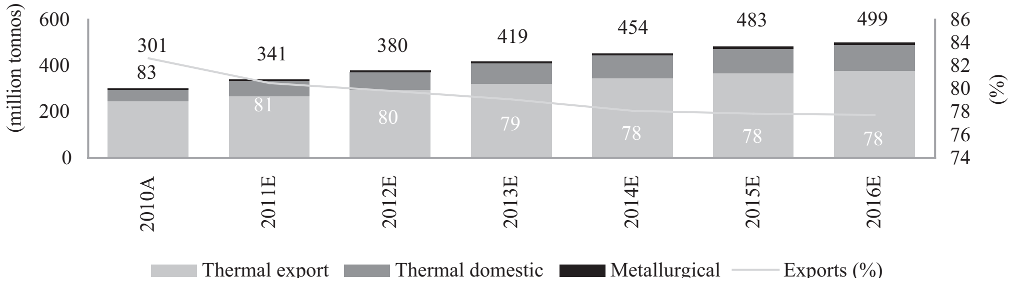
1. Introduction

Based on the Ministry of Energy and Mineral Resources of Indonesia ("**MEMR**"), Indonesia's coal production has been witnessing a compound annual growth rate ("**CAGR**") of 12% since 2007.

Indonesia is expected to undergo significant coal production expansion in the near to mid-term, driven by increased demand both domestically and internationally. The majority of production growth will be sourced from existing operations or recently completed projects that are in the ramp-up phase. Existing operations are expected to account for a significant majority of Indonesia's production growth to 2016.

The Indonesian coal industry is strongly dependent on exports. Exports currently account for around 80% of total Indonesian production. Although Indonesian domestic demand is increasing, production increases will ensure that export capacity is maintained. The chart below illustrates Indonesian coal production forecast by market, it's estimated that the total coal production output of Indonesia will reach 499 million tonnes in 2016.

Forecast Indonesian coal production by market

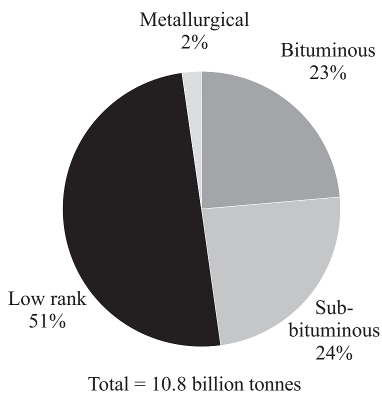


Source: *Wood Mackenzie, an international consulting company which provides advisory services on the world's energy and metals industries.*

2. *Resources and reserves*

Wood Mackenzie estimates that Indonesia's coal resources total to over 70 billion tonnes and the coal reserves total to around 10.8 billion tonnes, over 70% of which are located in Kalimantan.

Forecast Indonesian coal reserves (2011E) — total reserves by coal type (%)

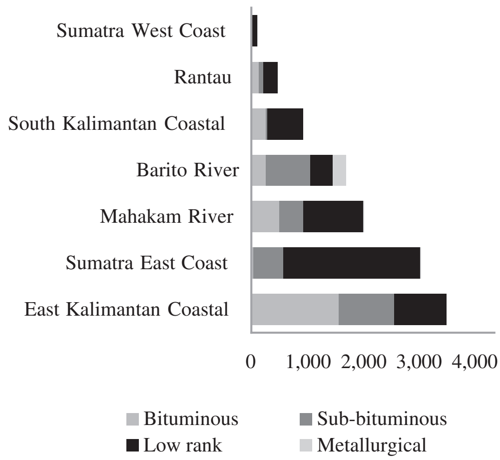


Source: Wood Mackenzie

Thermal coal dominates both production and exports, accounting for 98% of Indonesia's total marketable production in 2011; this figure is expected to remain relatively constant in the future. Indonesia produces a whole spectrum of thermal coal types, and its export coals span the full quality range for thermal coals traded on the seaborne market.

Most of the coal reserves of Indonesia are located in East Kalimantan which explains why Indonesia's coal production is currently dominated by Kalimantan (see the chart below). Coal mines within the Kalimantan coastal areas are expected to contribute the largest share of Indonesian production over the forecast period. These operations are within close proximity of the coastline and only require short barging distances to reach the vessel loading points.

Forecast Indonesian coal reserves (2011E) — by area and coal type (million tonnes)



Source: Wood Mackenzie

3. *Seaborne thermal coal market*

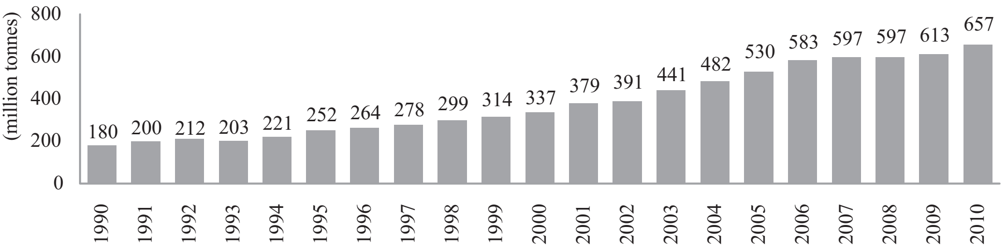
According to MEMR, Indonesia is the largest seaborne coal supplier of the world, with a 40% market share of the total global seaborne exports. It is expected that the demand for coal from India and China will increase continuously.

Thermal coal demand

The seaborne thermal coal market has developed and grown rapidly following the two oil crises of the 1970s. Growth in the international coal trade can also be attributed to the decline of domestic coal production in many countries — particularly in Europe — due to prohibitive costs and reserve depletion. Continued growth in demand for energy worldwide, combined with on-going high oil prices, is expected to provide a platform for the continuation of this trend.

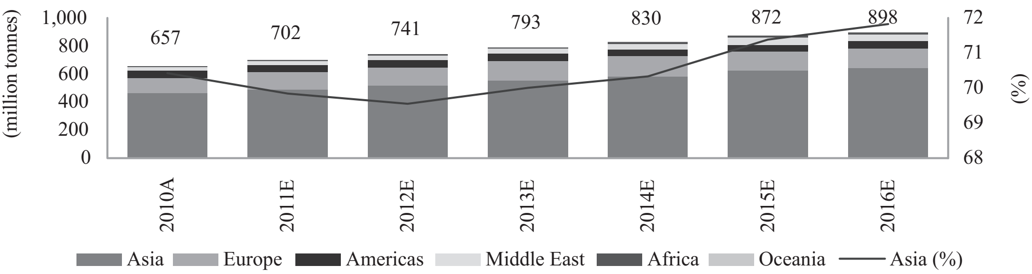
Global demand for thermal coal is expected to continue to grow strongly over the next decade. Demand growth is forecast to be stronger in the Asia-Pacific region than in the Atlantic market, where slower economic growth, environmental restrictions, and inter-fuel competition with natural gas will limit increases in coal use for power generation. Asia currently accounts for 70% of global demand for thermal coal, a figure that is forecast to increase to over 72% by 2016.

Historical global seaborne import demand for thermal coal



Source: Wood Mackenzie

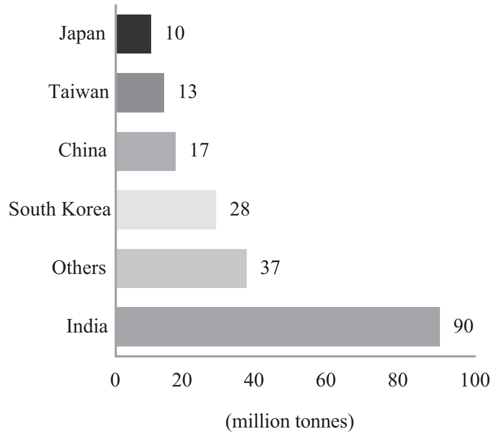
Forecast global seaborne import demand for thermal coal by region



Source: Wood Mackenzie

According to Wood Mackenzie, the developing Asian countries, in particular, India, are expected to provide the greatest growth in imported thermal coal demand up to year 2016. India's demand for thermal coal, particularly from the power sector, is growing rapidly, with domestic production lagging behind due to legal issues (e.g. environmental constraints, conflict over land use), depleted reserves, and declining coal quality. It will become increasingly necessary for India to supplement domestic supply with imported coal, and seaborne imports are expected to grow at a CAGR of 17% between year 2011 and year 2016. Wood Mackenzie believes that India will overtake China and Japan as the largest thermal coal importer by 2015. South African and Indonesian exports will satisfy the majority of India's demand growth, particularly sub-bituminous and low rank coal from Indonesia as shown in the chart below.

2010-2016E Increase in import demand by country



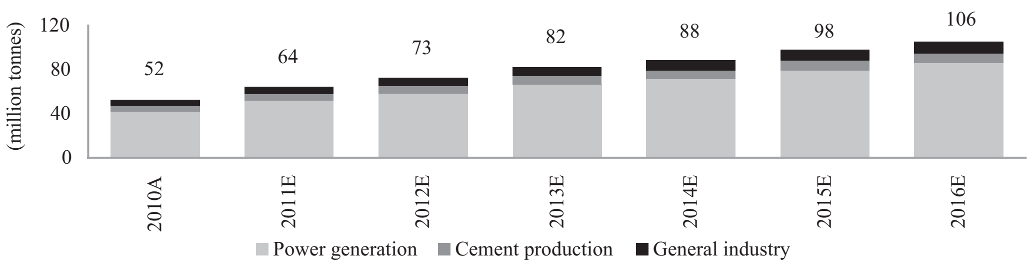
Source: Wood Mackenzie

4. *Indonesian domestic market*

Indonesian domestic demand is primarily driven by power generation with a small proportion of thermal coal also allocated to cement producers and general industry consumers. There is negligible Indonesian domestic demand for metallurgical coal.

Power generation is expected to continue to dominate domestic coal consumption in future years with the full implementation of Indonesia's "crash" power plant build. Indonesia's new coal-fired capacity build will be designed to take sub-bituminous and low rank coal.

Forecast Indonesian domestic coal demand by sector



Source: Wood Mackenzie

RISK FACTORS

Set out below are the risk factors associated with the business of MTL.

Dependence of mining services business

The business of MTL is dependent on PT Berau Coal, which is a subsidiary of the Vendor. If there is any disruption for a sustained period to the continued operations of the Vendor's mining sites, the financial condition and results of operations of MTL may be materially and adversely affected.

Risk relating to the evaluation of MTL's business prospects due to short operation period

The operating history of MTL is short since its establishment in September 2010. As such, there may not be an adequate basis for the Company to evaluate the future operating results and prospects of MTL. As MTL's historical results may not be indicative of its results in future, investors may have difficulties evaluating MTL's business and prospects.

Risk relating to the reliance of the single customer

MTL currently generates its revenue from its single customer, PT Berau Coal, based on the Business Agreements. Accordingly, termination of the Business Agreements or inability to attract new customers could materially and adversely affect MTL's future revenue and the economic viability of its mining services.

Risk relating to potential competition of MTL's business

There are a number of coal mining contractors and coal mining services providers in Indonesia. The coal mining services industry in Indonesia is highly fragmented and MTL may face competition from other coal mining contractors. Some of the coal mining contractors may have more heavy equipment and hauling trucks than MTL, MTL's future success will depend on its ability to maintain its performance of mining services and relationship with the coal miners in the East Kalimantan.

As set out in the paragraph "Non-Competition Undertaking" of the section headed "The Agreement Dated 24 September 2012" of this circular, the non-competition undertaking only covers a period of 24 months after the Closing Date, if the Vendor shall engage in the provision of mining services business after expiration of such period, there may be keen competition with MTL in future and if MTL shall not be able to secure more customers.

Risk relating to the terms of the Coal Transportation Contract

There is no assurance that MTL could agree with PT Berau Coal on the unit hauling price and the annual coal hauling target on or before 30 June 2016, being the expiration date of the agreed unit hauling pricing and the annual coal hauling target as set out in the Coal Transportation Contract. In the event that both parties could not agree on the unit hauling pricing and the annual coal hauling target, the Coal Transportation Contract may be terminated by the parties, and MTL would have to identify new customers to continue its coal hauling business.

Risk relating to Indonesian laws and regulatory requirements

As mentioned in the paragraph "Requirement in relation to provision of mining services by PMA Company" of the section headed "Material relevant Indonesian laws and regulations in relation to mining services" of this circular, the status of MTL shall be changed from a local Indonesian company to a PMA Company upon Closing and MTL shall be required to follow the requirement to make a newspaper announcement and any Indonesian mining company that wishes to engage MTL shall be required to follow the requirement to engage foreign contractors. MTL may lose some future business opportunities to local mining services companies if the Indonesian mining companies which would like to conduct business with MTL have to comply with the relevant laws and regulations. Also, any future change in Indonesian laws and regulatory requirements or the imposition of more stringent requirements to PMA Companies may affect MTL's future business.

Risk relating to the minority interest held by Mr. Zaldi

Prior to the Closing, Mr. Zaldi will issue the Confirmation Letter to the Purchaser stating that the shares of MTL held by him (representing approximately 0.04% equity interest of MTL) from time to time are for the benefit of the Purchaser. The Confirmation Letter is governed by the laws of Hong Kong and any legal proceedings that may arise therefrom shall be submitted to the courts of Hong Kong. There is no assurance that the Purchaser could be able to receive all the economic benefits from the shares of MTL held by Mr. Zaldi.

In view of MTL being in its initial business growing stage, the Directors have considered the above risks before entering into the Agreement and are of the view that such risks are acceptable. Therefore, the Directors consider that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholder as a whole.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT OF MTL

The biographical details of the key management persons of MTL are as follows:

(a) **Mr. WISNU Wahyudin Pettalolo**, aged 42, is the President Director of MTL. He has considerable experience in the mining and infrastructure development sectors in Indonesia. He previously served as the President Director of PT. Sulawesi Argomindo Lestari (a contractor of forest concession and plantation) and PT. Kaltim Persada (a company of mine pit and sea transport management). He graduated from Sekolah Tinggi Ilmu Ekonomi Swadaya, Manado, Indonesia in 1998 and attended the course Master Management, Human Resources Management Concentration at WR. Supratman University, Surabaya, Indonesia in 2012.

(b) **Mr. KEMAL Arief**, aged 43, is the Finance Director of MTL. He has extensive financial management experience and is responsible for corporate development and financial planning of MTL. Before joining MTL, he was the Finance and IT Director of PT. Aetra Air Jakarta, a water utility company in Indonesia. He graduated from Trisakti University, Indonesia in 1995 with a Bachelor Degree of Science majoring in Petroleum Engineering. He also obtained a Master of Business Administration from Cleveland State University, United States in 1998.

(c) **Mr. EDY Triono**, aged 44, is the Deputy Director of Operations of MTL. Prior to joining MTL, he was the Business Development Manager of PT Berau Coal and possesses extensive experience in mining contracting. He graduated from Bandung Institute of Technology, Indonesia in 1993 majored in Regional and City Planning Engineering.

(d) **Mr. BOBBY Pramudya**, aged 39, is the Project Manager of MTL. Prior to joining MTL, he had been a Project Manager in mining and exploration companies in Jakarta including PT. MultiFabrindo Gemilang of Medco Group (the largest non-state owned oil and gas company in Indonesia) and also worked as a site manager in PT British Petroleum. He graduated from the Institute of Sains and Technology National, Indonesia with a Bachelor Degree of Civil Engineering in 1998.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing of athletic and sports leisure footwear products. The Group has been actively looking for potential investment opportunities in order to extend its business reach and to improve the Group's financial performance. As disclosed in the Company's annual report for the financial year ended 31 March 2012 (the "**2012 Annual Report**"), the Group operates in a challenging business environment in the PRC and faces challenge from the complex global financial problems. It is also expected that the sales and profits of the Group would decline due to the prolonged euro zone debt crisis and the stubbornly high unemployment rate in the United States continue to stifle the global economy.

The Directors consider that the opportunities in the energy resources sector have positive outlook and will benefit the Group in the long run. It has been the Group's business development strategy to identify energy resources related investment opportunities in Indonesia and other countries.

According to the BP Statistical Review of World Energy June 2012 issued by BP Plc (http://www.bp.com), Indonesia ranks the fourth in terms of coal production in Asian countries in 2011 and has 5,529 million tonnes of proved reserves in 2011 with annual total commercial production of 199.8 million tonnes for the year 2011. The global economic demand has fueled the demand for coal consumption. Since India's deficit in coal supply is likely to increase much faster than the proposed increase in domestic supplies during 2012, it is expected that Indonesia (as the world's largest thermal coal exporter) is well placed to benefit from India's increased demand for coal (Source: http://www.asiaminer.com). In view of the continued economic growth and accelerated industrialisation and urbanisation in many developing countries, natural resources are in demand at all times and the Directors consider that the demand for energy in Indonesia will maintain its growth momentum. The growth of the coal mining industry in Indonesia may create opportunities for MTL. Therefore, the Directors believe that MTL's business prospects are promising and the Acquisition represents an opportunity for the Group to broaden its income stream.

In considering the fairness and reasonableness of the Acquisition, the Directors have considered the factors set out in the section headed "Risk Factors". It is the opinion of the Directors that it will be more favorable to the Company to acquire MTL at its early stage of business development in terms of the consideration to be paid.

Albeit that MTL's business is completely different from the existing business of the Group, the Directors believe that MTL has good business expansion potential given its geographical advantage of operations, where most of the largest coal miners in Indonesia have scalable mining operations in East Kalimantan and the Business Agreements would contribute stable revenue to the Group. Furthermore, except the change of composition of the board of commissioners of MTL, there will not be any material change in the key management of MTL upon Closing, therefore the operations of MTL would not be affected in the foreseeable future.

The Directors are of the view that the future net cash inflows to MTL will contribute stable revenue to the Group. Having reviewed on the valuation report, the Directors are also in the opinion that the corresponding assumptions, parameters and discount rate used in the Valuation Report of 100% Equity Interest of MTL sets out in Appendix V to this circular were made in a prudent manner based on existing state of MTL, and are fair and reasonable.

The Directors also believe that the Acquisition will possibly bring to the Group more business or investment opportunities in the energy resources sector in Indonesia and create further synergies to the Group's business development in future.

In light of the above, the Directors are of the view that the Acquisition is in line with the business development strategy of the Group, and the terms and conditions of the Agreement are fair and reasonable and are on normal commercial terms and therefore the Acquisition is in the interest of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis of the Group and MTL are set out in Appendix IV of this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

At Closing, MTL will be owned as to approximately 99.96% by the Group and approximately 0.04% by Mr. Zaldi. Mr. Zaldi will issue to the Purchaser the Confirmation Letter on the Closing Date stating that the shares of MTL held by him from time to time are for the benefit of the Purchaser. As such, the books of MTL will be fully consolidated into the consolidated financial statements of the Group after Closing.

As referred to in the 2012 Annual Report, the consolidated net assets of the Group as at 31 March 2012 were approximately US$35,166,000, comprising total assets of approximately US$39,192,000 and total liabilities of approximately US$4,026,000. As referred to the 2012 Annual Report, the net loss of the Group for the year ended 31 March 2012 was approximately US$1,543,000.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group as set out which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group assuming the Closing had taken place on 31 March 2012.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would be approximately US$34,666,000, comprising unaudited pro forma total assets of approximately US$52,018,000 and unaudited pro forma total liabilities of approximately US$17,352,000.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to this circular, the total assets of the Group as at 31 March 2012 would increase by approximately 32.7% from approximately US$39,192,000 to approximately US$52,018,000; its total liabilities as at 31 March 2012 would increase by approximately 331.0% from approximately US$4,026,000 to approximately US$17,352,000; and the net assets of the Group as at 31 March 2012 would decrease by approximately 1.4% from approximately US$35,166,000 to approximately US$34,666,000 as a result of the Acquisition. Such decrease of the net assets is attributable to the legal and professional fees of approximately US$500,000 incurred in the Acquisition.

The Directors consider that the Acquisition will contribute to the Enlarged Group significant revenue and earnings in future. Apart from the Group's existing business of manufacturing of athletic and sports leisure footwear products, it is expected that MTL's mining services business will become one of the Group's principal businesses upon Closing.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.08 of the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the requirements of reporting, announcement and Shareholders' approval.

SGM

The SGM will be held at Unit 1602, 16/F, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m. to consider and, if thought fit, passing relevant resolutions to approve the Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages 120 to 121 of this circular. A form of proxy for the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof (as the case may be) should you so wish. Pursuant to the Listing Rules, voting by poll is required for any resolution put to vote at the SGM. An announcement will be made by the Company after the SGM regarding the results of the SGM.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Director or Shareholder has a material interest in the Agreement and the transactions contemplated thereunder which is different from the interests of other Shareholders and therefore no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution at the SGM.

As the Closing is subject to the fulfillment of a number of conditions precedent which are detailed in this circular, completion of the Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition are in the best interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM.

FURTHER INFORMATION

Your attention is also drawn to (i) the additional information set out in the appendices to this circular; and (ii) the notice of the SGM.

By order of the Board
Ares Asia Limited
Junaidi YAP
Executive Director and Chief Executive Officer

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") for the year ended 31 March 2012, together with the accompanying notes (the "**2012 Financial Statements**"), are included on pages 24 to 71 in the annual report for the year ended 31 March 2012 of the Company (the "**2012 Annual Report**") published on 29 June 2012.

The audited consolidated financial statements of the Group prepared in accordance with HKFRS for the year ended 31 March 2011, together with the accompanying notes (the "**2011 Financial Statements**"), are included on pages 25 to 75 in the annual report for the year ended 31 March 2011 of the Company (the "**2011 Annual Report**") published on 28 June 2011.

The audited consolidated financial statements of the Group prepared in accordance with HKFRS for the year ended 31 March 2010, together with the accompanying notes (the "**2010 Financial Statements**"), are included on pages 26 to 79 in the annual report for the year ended 31 March 2010 of the Company (the "**2010 Annual Report**") published on 16 July 2010.

Each of the 2012 Financial Statements, the 2011 Financial Statements and the 2010 Financial Statements (but not any other part of the 2012 Annual Report, the 2011 Annual Report and the 2010 Annual Report, respectively) are incorporated by reference into this circular and forms part of this circular. The 2012 Annual Report, the 2011 Annual Report, the 2010 Annual Report have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.irasia.com/listco/hk/aresasia/index.htm).

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Secured and unguaranteed interest-bearing bank borrowings in the amount of approximately US$8,251,000 due within one to five years;

(ii) Secured and unguaranteed interest-bearing obligation under finance leases in the amount of approximately US$1,073,000; and

(iii) Amount due to holding company of the Target Company in the amount of approximately US$1,992,000 which is unsecured, unguaranteed, repayment on demand and carries an annual interest rate at 2% to the outstanding balance.

Security and guarantees

As at 31 August 2012, the bank borrowings together with the banking facilities were secured by property, plant and equipment of US$7,736,000.

Commitments

As at 31 August 2012, the Enlarged Group had total future minimum lease payments under non-cancellable operating leases which falling due as follows:

	US$'000
Within one year	307
In the second to the fifth year	371
	678

Save as the aforesaid, the Enlarged Group did not have any material commitments.

Contingent liabilities

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2012, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees.

The Directors have confirmed that, save as disclosed above, there had not been any material change in the indebtedness and contingent liabilities of the Group since 31 August 2012 and up to the Latest Practicable Date.

3. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account the internal resources and the existing available credit facilities of the Enlarged Group, upon the completion of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. TRADING AND FINANCIAL PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the manufacturing of athletic and sports leisure footwear products. The Group has been actively looking for potential investment opportunities in order to extend its business reach and to improve the Group's financial performance. As disclosed in the 2012 Annual Report, the Group operates in a competitive business environment in the PRC and will continue to work on streamlining its PRC operations to improve its cost efficiency. It is also expected that the sales and profits of the Group would decline due to the prolonged euro zone debt crisis and the stubbornly high unemployment rate in the United States continues to stifle the global economy.

The Directors consider that the opportunities in the energy resources sector have positive outlook and will benefit the Enlarged Group in the long run. It has been the Enlarged Group's business development strategy to identify energy resources related investment opportunities in Indonesia and other countries.

For the year ended 31 March 2012, the Group's turnover decreased by 4% to US$28 million from US$29.1 million for the year ended 31 March 2011. Geographically, Asian countries contributed 100% of the Group's turnover for the year under review.

Gross profit was US$1.6 million, a decrease of US$0.7 million or 29% compared to the US$2.3 million recorded in the year ended 31 March 2011. The gross profit margin for the year ended 31 March 2012 fell from 7.9% to 5.8%. This was mainly attributable to higher cost of materials, further increase in labour costs and Renminbi appreciation.

Other income for the year ended 31 March 2012 was US$0.3 million compared to US$1.4 million recorded in the year ended 31 March 2011, due primarily to the absence of gain on disposal of the Group's leasehold building in Hong Kong which amounting to US$1.1 million recorded in the last financial year end.

General and administrative expenses for the year ended 31 March 2012 were US$3.3 million or 11.8% of sales, a slight increase from US$3.1 million or 10.7% of sales reported for the year ended 31 March 2011. The increase was mainly due to the increased spending on the legal and professional fees for the proposed investment in the coal mining sector in Indonesia.

Other gains, net recorded in the year ended 31 March 2012 represented the gain on disposal of trading securities held amounting to US$0.5 million.

As a result of the increasing cost pressure of the Group's manufacturing business in the PRC and the absence of the gains on disposal of leasehold property and trading securities held resulted in the year ended 31 March 2011, a loss for the year attributable to owners of the Company of US$1.5 million was incurred for the year ended 31 March 2012 as compared to the profit of US$0.8 million recorded in the year ended 31 March 2011.

The Proposed Acquisition

In order to broaden the income stream of the Group, the Group entered into the Agreement to acquire MTL at a consideration of US$13,400,000 (equivalent to approximately HK$104,520,000). MTL engages in the business of coal hauling and mining services in the area of Tanjung Redeb, Regency of Berau, East Kalimantan Province, Indonesia. The sole customer of MTL is PT Berau Coal, a subsidiary of the Vendor, which is operating a few coal mining sites in the area of Tanjung Redeb. In view of the continued economic growth and accelerated industrialisation and urbanisation in many developing countries, natural resources are in demand at all times and the Directors consider that the demand for energy in Indonesia will maintain its growth momentum. As such, the growth of the coal mining industry in Indonesia may create opportunities for MTL. Therefore, the Directors believe that MTL's business prospects are promising.

Prospects of the Enlarged Group

The Group will remain full of challenges in the coming year given a more competitive business environment in the PRC and the complex global financial problems. The Board will continue to look for attractive investment and acquisition opportunities in the energy sector and believe that the Acquisition will create synergies to the Group's business development in the future.

As at the Latest Practicable Date, the Group has not identified any other investment and acquisition opportunities.

信永中和
ShineWing

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

30 October 2012

The Directors
Ares Asia Limited
Unit 1602, 16th Floor,
LHT Tower
No. 31 Queen's Road Central,
Hong Kong.

Dear Sirs,

We set out below our report on the financial information regarding PT. Mutiara Tanjung Lestari (formerly known as PT. Mutiara Logistic) (the "Target Company"), including the statements of financial position as at 31 December 2010, 2011 and 31 May 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the period from 22 September 2010 (date of incorporation) to 31 December 2010, year ended 31 December 2011 and the five months ended 31 May 2012 (the "Relevant Periods"), and notes thereto (the "Financial Information") for inclusion in the circular of Ares Asia Limited (the "Company") dated 30 October 2012 (the "Circular") in connection with the proposed major acquisition of the 99.96% equity interest of the Target Company ("Acquisition").

The Target Company was incorporated with limited liability in the Republic of Indonesia ("Indonesia") on 22 September 2010 (date of incorporation) and is engaged in mining services.

The statutory financial statements of the Target Company from 22 September 2010 (date of incorporation) to 31 December 2010 were prepared in accordance with the generally accepted accounting principles in the Indonesia and were audited by Nozaka Japan Certified Public Accountant Firm. The statutory financial statements of the Target Company for the year ended 31 December 2011 were prepared in accordance with the generally accepted accounting principles in the Indonesia and were audited by PT PricewaterhouseCoopers Indonesia Advisory.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods as set out in this report for inclusion in the Circular has been prepared from the Underlying Financial Statements, whereas no adjustment was considered necessary. We have examined the Financial Information and have carried out such additional procedures as considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

DIRECTORS' RESPONSIBILITY

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that the judgements and estimates made are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

In respect of the Financial Information for the Relevant Periods, our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards of Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company as at 31 December 2010 and 2011 and as at 31 May 2012 and of the results and cash flows of the Target Company for the Relevant Periods.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 3 to the accountant's report of the Target Company, which indicates that the Target Company has net current liabilities of approximately US$912,000 as at 31 May 2012. This condition, along with other matters as set out in note 3 to the accountant's report of the Target Company, indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

REVIEW CONCLUSION

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the five months ended 31 May 2011 together with the notes thereto have been extracted from the Target Company's unaudited financial statements for the same period (the "31 May 2011 Financial Information") which was prepared by the director of the Target Company solely for the purpose of this report.

We have reviewed the 31 May 2011 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquires, primarily of persons responsible for financial and accounting matters and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 May 2011 Financial Information.

On the basis of our review which does not constitute an audit, nothing has come to our attention that causes us to believe the 31 May 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Statements of Comprehensive Income

	Note	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
		US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Revenue	*7*	—	2,271	185	2,931
Cost of sales		—	(1,228)	(154)	(1,825)
Gross profit		—	1,043	31	1,106
Other income	*8*	6	7	40	3
Administrative expenses		(9)	(350)	(35)	(380)
Finance costs	*9*	(1)	(167)	(1)	(252)
(Loss) profit before tax		(4)	533	35	477
Income tax expense	*10*	—	(118)	—	(88)
(Loss) profit and other comprehensive (expense) income for the period/year	*11*	(4)	415	35	389
		(US$)	*(US$)*	*(US$)*	*(US$)*
(Loss) earnings per share: Basic and diluted	*14*	(0.0002)	0.018	0.0016	0.017

Statements of Financial Position

	Note	As at 31 December 2010 US$'000	As at 31 December 2011 US$'000	As at 31 May 2012 US$'000
Non-current assets				
Plant and equipment	*15*	116	7,150	10,762
Deposit paid for plant and equipment		1,163	1,287	677
Deferred tax assets	*23*	—	106	300
		1,279	8,543	11,739
Current assets				
Trade receivable	*16*	—	1,333	2,094
Prepayment and other receivables	*17*	69	583	464
Tax recoverable		—	3	—
Bank balances and cash	*18*	1,252	695	1,010
		1,321	2,614	3,568
Current liabilities				
Accruals and other payables	*19*	7	229	152
Amount due to holding company	*20*	—	1,966	1,982
Tax payables		—	—	91
Obligations under finance leases	*21*	31	379	468
Bank borrowings	*22*	—	925	1,787
		38	3,499	4,480
Net current assets (liabilities)		1,283	(885)	(912)
Total assets less current liabilities		2,562	7,658	10,827
Non-current liabilities				
Obligations under finance leases	*21*	67	827	719
Bank borrowings	*22*	—	3,921	6,809
		67	4,748	7,528
Net assets		2,495	2,910	3,299
Capital and reserve				
Share capital	*24*	2,499	2,499	2,499
Reserves		(4)	411	800
Shareholders' equity		2,495	2,910	3,299

Statements of Changes In Equity

	Share capital	Retained profits (accumulated losses)	Total
	US$'000	*US$'000*	*US$'000*
Issue of shares upon incorporation	2,499	—	2,499
Loss and total comprehensive expense for the period	—	(4)	(4)
At 31 December 2010	2,499	(4)	2,495
Profit and total comprehensive income for the year	—	415	415
At 31 December 2011	2,499	411	2,910
Profit and total comprehensive income for the period	—	389	389
At 31 May 2012	2,499	800	3,299
Five months ended 31 May 2011 (Unaudited)			
At 1 January 2011	2,499	(4)	2,495
Profit and total comprehensive income for the period	—	35	35
At 31 May 2011	2,499	31	2,530

Statements of Cash Flows

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*
OPERATING ACTIVITIES				
(Loss) profit before tax	(4)	533	35	477
Adjustments for:				
Interest income	—	(7)	—	(3)
Depreciation of plant and equipment	3	872	71	1,141
Finance costs	1	167	1	252
Operating cash flows before movements in working capital	—	1,565	107	1,867
Increase in trade receivable	—	(1,333)	(112)	(761)
(Increase) decrease in prepayment and other receivables	(69)	(514)	(85)	119
Increase (decrease) in accruals and other payables	7	222	—	(77)
Cash (used in) generated from operations	(62)	(60)	(90)	1,148
Tax paid	—	(227)	—	(188)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(62)	(287)	(90)	960

Statements of Cash Flows (continued)

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	For the year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	US$'000	*US$'000*	*US$'000*	*US$'000*
INVESTING ACTIVITIES				
Interest income received	—	7	—	3
(Increase) decrease in deposit paid for plant and equipment	(1,163)	(124)	269	610
Purchase of plant and equipment	(19)	(6,680)	(945)	(4,637)
NET CASH USED IN INVESTING ACTIVITIES	(1,182)	(6,797)	(676)	(4,024)
FINANCING ACTIVITIES				
Interest paid	(1)	(167)	(1)	(252)
Advances from holding company	—	1,966	—	16
New borrowings raised	—	5,082	670	4,065
Proceeds from issuance of shares	2,499	—	—	—
Repayment of obligations under finance leases	(2)	(118)	(13)	(135)
Repayment of bank borrowings	—	(236)	—	(315)
NET CASH FROM FINANCING ACTIVITIES	2,496	6,527	656	3,379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,252	(557)	(110)	315
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	—	1,252	1,252	695
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	1,252	695	1,142	1,010

Notes to the Financial Information

1. GENERAL INFORMATION

The Target Company was incorporated with limited liability in the Indonesia on 22 September 2010. Its holding company is PT. Berau Coal Energy Tbk. ("Berau Coal"), a company incorporated in Indonesia with limited liability with its shares listed on the Indonesia Stock Exchange.

The address of the registered office and principal place of business of the Target Company is Recapital Building 2nd floor, JI. Adityawarman No. 55, Jakarta 12160, Indonesia.

The principal activities of the Target Company are coal hauling and mining services.

The Financial Information is presented in US$ which is the same as the functional currency of the Target Company.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently adopted all of the new and revised Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the Target Company's financial year beginning on 1 January 2012.

New and revised standards, amendments and interpretations in issue but not yet effective

The Target Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[1]
Amendments to HKFRS10, HKFRS 11 and HKFRS 12	Transition Guidance[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2015.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2014.

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

Key requirements of HKFRS 9 are described as follows:

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

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

The director of the Target Company anticipates that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities. Regarding the Company's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The director of the Target Company anticipates that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Periods and materially consistent with the accounting policies adopted by the Company.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of preparation

As at 31 May 2012, the Target Company had net current liabilities of approximately US$912,000. In preparing the Financial Information, the directors of the Target Company had taken into consideration of the following facts and circumstances in respect of the Target Company's going concern:

(a) the Target Company is able to generate positive cash flows from its continuing operations;

(b) the holding company of the Target Company had agreed to provide continuing financial support to the Target Company so as to enable the Target Company to meet in full its financial obligations as they fall due in the foreseeable future; and

(c) upon completion of the Acquisition of the Target Company by the Company, the Company shall provide financial support to the Target Company to enable it to meet its liabilities as and when they fall due and to enable the Target Company to continue operating as a going concern in the foreseeable future.

Accordingly, the directors of the Target Company are satisfied that the Target Company will be able to meet its liabilities as and when they fall due in the foreseeable future and as such, the Financial Information has been prepared on a going concern basis.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand. For the purpose of the statements of cash flows, cash and cash equivalents consist of bank balances and cash.

Financial instruments

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

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

Financial assets

The Target Company's financial assets are loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The Target Company's financial liabilities are classified as other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including accruals and other payables, amount due to holding company, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when the Target Company transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of service in the normal course of business, net of sales related taxes and discounts.

Service income is recognised when services are provided.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

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

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

Leasing

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

The Target Company as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Target Company as lessee

Assets held under finance leases are recognised as assets of the Target Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow for all or part of asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit scheme (the "Indonesia State-managed Retirement Benefit Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Impairment losses on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policy

The followings are the critical judgements, apart from those involving estimations (see below), that the director has made in the process of applying the entity's accounting policies and that has the most significant effect on the amounts recognised in the Financial Information.

Going concern and liquidity

As explained in note 3 to the Financial Information, the Financial Information have been prepared on a going concern basis and do not included any adjustments that would be required should the Target Company fail to continue as a going concern since the director of the Target Company believes that the Target Company will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2011 and 31 May 2012.

Key sources of estimation uncertainty

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

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Target Company assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the period in which the estimates change. Depreciation of approximately US$3,000, US$872,000, US$1,141,000 and US$123,000 has been recognised for the Relevant Periods and for the five months ended 31 May 2011 and the carrying amount of plant and equipment is approximately US$116,000, US$7,150,000 and US$10,762,000 as at 31 December 2010, 2011 and 31 May 2012.

Estimated impairment of trade receivable and prepayment and other receivables

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

As at 31 December 2010, 2011 and 31 May 2012, the carrying amounts of trade receivable are US$nil, US$1,333,000 and US$2,094,000 respectively, and the carrying amounts of prepayment and other receivables are US$69,000, US$583,000 and US$464,000 respectively. No impairment was recognised during the Relevant Periods.

5. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of bank borrowings, obligations under finance leases, amount due to a holding company, bank balances and cash and equity attributable to owners of the Target Company, comprising issued share capital and reserve.

The director of the Target Company reviews the capital structure on an annual basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Target Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 31 May
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,252	2,029	3,104
Financial liabilities			
Amortised cost	105	8,247	11,918

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Target Company has foreign currency sales and expenditures, which expose the Target Company to foreign currency risk. Approximately 40% of the Target Group's sales are denominated in currencies other than the functional currency of the Target Company, whilst nil, 33% and 38% of costs are denominated in the Target Company's functional currency for the Relevant Periods.

The carrying amounts of Target Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets			Liabilities		
	As at 31 December		As at 31 May	As at 31 December		As at 31 May
	2010	2011	2012	2010	2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Indonesian Rupiah ("IDR")	—	163	289	7	229	152

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

Sensitivity analysis

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

	As at 31 December		**As at 31 May**
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Profit or loss	—	(3)	7

(ii) *Interest rate risk*

The Target Company's bank borrowings and obligations under finance leases bear interests at fixed interest rates and therefore are subject to fair value interest rate risk. The director of the Target Company considers the Target Company's exposure to interest rate risk on bank borrowings is not significant.

The Target Company is exposed to cash flow interest rate risk from interest bearing bank balances. As the interest generated from interest bearing bank balances is insignificant, there is no significant cash flow interest rate risk.

The Target Company's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are relatively fixed. The Target Company does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Target Company does not use derivative financial instruments to hedge its debt obligations.

The management considers that the Target Company's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus no sensitivity analysis is presented.

Credit risk

As at the end of the reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties provided by the Target Company is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Target Company has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of the Target Company considers that the Target Company's credit risk is significantly reduced.

The Target Company only provides services to a single customer which is also a related party. The Target Company's trading terms with the customer are mainly on credit. The normal credit period is generally for a period 30 days. The Target Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned measures and the fact that the Target Company's trade receivables relate to a customer with good creditworthiness, there is no significant credit risk.

As at 31 December 2011 and 31 May 2012, the Target Company had a concentration of credit risk as of 100% and 100% of the total trade receivables was due from the Target Company's sole customer respectively.

The Target Company's concentration of credit risk by geographical locations is in Indonesia, which accounted for 100% and 100% of the total trade receivables as at 31 December 2011 and 31 May 2012 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings of which the Target Group considered to be well established.

The Target Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

As at 31 December 2011 and 31 May 2012, the Target Company had net current liabilities of approximately US$885,000 and US$912,000 respectively.

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

The following tables detail the Target Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and based on the earliest date on which the Target Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	On demand and within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2010					
Non-derivative financial liabilities					
Accruals and other payables	7	—	—	7	7
Obligations under finance leases	38	38	35	111	98
	45	38	35	118	105

	On demand and within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2011						
Non-derivative financial liabilities						
Accruals and other payables	229	—	—	—	229	229
Amount due to holding company	1,966	—	—	—	1,966	1,966
Obligations under finance leases	463	496	398	—	1,357	1,206
Bank borrowings	1,271	1,310	3,076	121	5,778	4,846
	3,929	1,806	3,474	121	9,330	8,247

	On demand and within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 May 2012						
Non-derivative financial liabilities						
Accruals and other payables	152	—	—	—	152	152
Amount due to holding company	1,982	—	—	—	1,982	1,982
Obligations under finance leases	546	526	247	—	1,319	1,187
Bank borrowings	2,398	2,383	5,371	28	10,180	8,596
	5,078	2,909	5,618	28	13,633	11,917

(c) Fair value

The director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

The director also considers that the fair value of the long term portion of liabilities approximates to their carrying amount as the impact of discounting is not significant.

7. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue arising on the provision of service in the normal course of business, net of sales related taxes and discounts, during the Relevant Periods.

Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the director of the Target Company, being the chief operating decision maker for the purposes of allocation resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations. The Target Company is principally engaged in the provision of mining services. The director regards it as a single operating segment and therefore, no segment information is presented.

Geographical information

No geographical information is presented as the Group's business is principally carried out in the Indonesia and the Target Company's revenue from external customer and non-current assets are in the Indonesia. No geographical information for other country is of a significant size to be reported separately.

Information about major customers

Revenues for the Relevant Periods are derived from a single customer.

8. OTHER INCOME

	Period from 22 September 2010 (date of incorporation) to 31 December	Year ended 31 December	Five months ended 31 May	
	2010	**2011**	**2011**	**2012**
	US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Interest income	—	7	—	3
Sundry income	6	—	40	—
	6	7	40	3

9. FINANCE COSTS

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Interest expenses on:				
Bank loans and other borrowings wholly repayable within five years	—	134	—	212
Finance leases	1	33	1	40
	1	167	1	252

10. INCOME TAX EXPENSE

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Current tax				
— Indonesia income tax	—	224	—	282
Deferred tax *(Note 23)*				
— Current period/year	—	(106)	—	(194)
	—	118	—	88

The income tax expense for the Relevant Periods can be reconciled to the (loss) profit before tax per the statements of comprehensive income as follows:

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	US'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
(Loss) profit before tax	(4)	533	35	477
Tax at domestic income tax rate of 25%	(1)	133	9	119
Tax effect of expenses not deductible for tax purpose	—	21	—	23
Tax effect of income not taxable for tax purpose	(1)	(3)	(7)	(31)
Utilisation of tax loss previously not recognised		(2)	(2)	—
Tax effect of exemptions granted to the Target Company	—	(31)	—	(23)
Unrecognised deferred tax assets arising from tax loss	2	—	—	—
Tax expense for period/year	—	118	—	88

11. (LOSS) PROFIT FOR THE PERIOD/YEAR

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
(Loss) profit for the period/ year has been arrived at after charging:				
Director's remuneration	—	1	—	33
Other staff costs (exclude director's remuneration)				
— salaries, allowances and other benefits	1	307	18	392
— Retirement benefit schemes contributions	—	10	1	13
Total staff costs	1	317	19	405
Auditor's remuneration	—	26	—	—
Depreciation of plant and equipment	3	872	71	1,141
Operating lease charges on rented premises and equipments	—	36	—	89
Net foreign exchange (gain) losses	(6)	54	(40)	23

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Details of the emoluments paid or payable to the director during the Relevant Periods were as follows:

	Fees	Salaries, allowances and other benefits	Retirement benefit schemes contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Period from 22 September 2010 (date of incorporation) to 31 December 2010				
Wisnu Wahyudin Pettalolo	—	—	—	—
Bagus Riznul Hakim	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefit schemes contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2011				
Wisnu Wahyudin Pettalolo	—	1	—	1
Bagus Riznul Hakim	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefit schemes contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Five months ended 31 May 2012				
Wisnu Wahyudin Pettalolo	—	20	—	20
Kemal Arief	—	15	—	15
Y.A. Didik Cahyanto	—	—	—	—
Ferial Martifauzi	—	—	—	—

	Fees	Salaries, allowances and other benefits	Retirement benefit schemes contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Five months ended 31 May 2011 (unaudited)				
Wisnu Wahyudin Pettalolo	—	—	—	—
Bagus Riznul Hakim	—	—	—	—

During the Relevant Periods, no emoluments have been paid by the Target Company to the director as an inducement to join or upon joining the Target Company or as compensation for loss of office.

The director of the Target Company has not waived any emoluments during the Relevant Periods.

Employees' emoluments

Except for the period from 22 September 2010 (date of incorporation) to 31 December 2010 which only has one employee, the five highest paid individuals of the Target Company included one director for five months ended 31 May 2012, and no director for the year ended 31 December 2011 and 2010 and five months end 31 May 2011 whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Target Company for the Relevant Periods and the five months ended 31 May 2011 respectively were as follows:

	Period from 22 September 2010 (date of incorporation) to 31 December	Year ended 31 December	Five months ended 31 May	
	2010	2011	2011	2012
	US$'000	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Salaries, allowances and other benefits	1	44	13	35
Retirement benefit schemes contributions	—	5	1	2
	1	49	14	37

The emoluments of the five highest paid individuals were individually less than HK$1,000,000 (equivalent US$128,000).

During the Relevant Periods, no emoluments have been paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensations for loss of office.

13. DIVIDENDS

No dividend was paid or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Target Company is based on the following data:

	Period from 22 September 2010 (date of incorporation to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*
(Loss) earnings				
(Loss) earnings for the purpose of basic and diluted earnings per share	(4)	415	35	389
Number of shares	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	22,523	22,523	22,523	22,523

The dilutive earnings per share are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Relevant Periods and for the five months ended 31 May 2011.

15. PLANT AND EQUIPMENT

	Transportation equipment	Machinery and equipment	Office furniture and equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
COST				
At 22 September 2010 (date of incorporation)	—	—	—	—
Additions	119	—	—	119
At 31 December 2010 and 1 January 2011	119	—	—	119
Additions	1,405	6,469	32	7,906
At 31 December 2011 and 1 January 2012	1,524	6,469	32	8,025
Additions	142	4,539	72	4,753
At 31 May 2012	1,666	11,008	104	12,778

	Transportation equipment	Machinery and equipment	Office furniture and equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
DEPRECIATION AND IMPAIRMENT				
At 22 September 2010 (date of incorporation)	—	—	—	—
Provided for the period	3	—	—	3
At 31 December 2010	3	—	—	3
Provided for the year	236	633	3	872
At 31 December 2011	239	633	3	875
Provided for the period	220	914	7	1,141
At 31 May 2012	459	1,547	10	2,016
CARRYING VALUES				
At 31 December 2010	116	—	—	116
At 31 December 2011	1,285	5,836	29	7,150
At 31 May 2012	1,207	9,461	94	10,762

The above items of plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Transportation equipment	33%
Machinery and equipment	14% — 25%
Office furniture and equipment	25%

At the end of the reporting periods, the carrying values of plant and equipment held under finance leases were as follows:

	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	US$'000	*US$'000*	*US$'000*
Transportation equipment	116	1,285	1,207

At the end of the reporting periods, the carrying values of plant and equipment pledged under bank loans were as follows:

	As at 31 December 2010	As at 31 December 2011	As at 31 May 2012
	US$'000	*US$'000*	*US$'000*
Machinery and equipment	—	5,836	9,461

16. TRADE RECEIVABLE

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Trade receivable	—	1,333	2,094
Less: allowance for doubtful debt	—	—	—
	—	1,333	2,094

The Target Company allows a credit period of 30 days to its trade customer. The following is an aged analysis of trade receivable presented based on the invoice date at the end of each reporting period.

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Within 30 days	—	716	1,473
31 to 60 days	—	355	265
61 to 90 days	—	262	167
Over 90 days	—	—	189
	—	1,333	2,094

Trade receivable disclosed as below include amounts which are past due at the end of each reporting period for which the Target Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Target Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Target Company to the counterparty.

Ageing of trade receivable which are past due but not impaired based on the past due date

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Within 30 days	—	355	265
31 to 60 days	—	262	167
61 to 90 days	—	—	189
	—	617	621

17. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Other receivables	68	498	364
Prepayments	1	85	100
	69	583	464

18. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates at a range from nil to 0.25% per annum throughout the Relevant Periods.

The bank balances and cash that are denominated in their original currencies are set out below:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
IRD	—	163	287
US$	1,252	532	723
	1,252	695	1,010

19. ACCRUALS AND OTHER PAYABLES

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Accrued expenses	—	227	123
Other payables	7	2	29
	7	229	152

20. AMOUNT DUE TO HOLDING COMPANY

At 31 December 2010 and 2011, the amounts were unsecured, interest free and repayable on demand.

At 31 May 2012, the amount is unsecured, repayable on demand and carries annual interest rate at 2% to the outstanding balances.

21. OBLIGATIONS UNDER FINANCE LEASES

The Target Company leases transportation equipment under finance leases. The average lease term is three years. Interest rates underlying obligations under finance leases are 8% throughout the Relevant Periods.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December		As at 31 May	As at 31 December		As at 31 May
	2010	2011	2012	2010	2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts payable under finance leases						
Within one year	38	463	546	31	379	468
In more than one year but not more than two years	38	496	526	34	446	484
In more than two years but not more than five years	35	398	247	33	381	235
	111	1,357	1,319	98	1,206	1,187
Less: future finance charges	(13)	(151)	(132)	N/A	N/A	N/A
Present value of lease obligations	98	1,206	1,187	98	1,206	1,187
Less: Amounts due for settlement within 12 months (shown under current liabilities)				(31)	(379)	(468)
Amounts due for settlement after 12 months				67	827	719

The Target Company's obligations under finance leases are denominated in US$ and secured by the lessor's charge over the leased assets classified under transportation equipment totaling US$116,000, US$1,285,000 and US$1,207,000 as at 31 December 2010, 2011 and 31 May 2012 respectively.

22. BANK BORROWINGS

	As at 31 December		As at 31 May
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Bank loans — secured	—	4,846	8,596
Carrying amount repayable*:			
On demand or within one year	—	925	1,787
More than one year, but not exceeding two years	—	1,044	1,922
More than two years, but not exceeding five years	—	2,877	4,887
Total bank borrowings	—	4,846	8,596
Less: Amounts due within one year shown under current liabilities	—	(925)	(1,787)
Amounts shown under non-current liabilities	—	3,921	6,809

The bank loans are arranged at fixed rates and expose the Target Company to fair value interest rate risk. The effective interest rates were 7.25% to 8 % per annum as at 31 December 2011 and 31 May 2012.

As at 31 December 2011 and 31 May 2012, the bank loans were secured by certain machinery and equipment of the Target Company totaling US$5,836,000 and US$9,461,000 as at 31 December 2011 and 31 May 2012.

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

23. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised and movements thereon during the Relevant Periods:

	Tax depreciation
	US$'000
At 22 September 2010 (date of incorporation)	—
Credited to statement of comprehensive income	—
At 31 December 2010	—
Credited to statement of comprehensive income	106
At 31 December 2011	106
Credited to statement of comprehensive income	194
At 31 May 2012	300

At the end of the reporting period as at 31 December 2010, the Target Company has unused tax losses of US$8,000 available for offset against future profits. No deferred tax asset has been recognised in respect of US$8,000 due to the unpredictability of future profit streams and which was utilised for the year ended 31 December 2011.

24. SHARE CAPITAL

	Par value of shares	**Number of shares**	**Value**
	US$		*US$'000*
Authorised, issued and fully paid:			
At 22 September 2010 (date of incorporation), 31 December 2010, 31 December 2011 and 31 May 2012	0.11095	22,523,487	2,499

The Target Company was incorporated on 22 September 2010. The Target Company's 22,523,487 ordinary shares of Indonesian Rupiah 1,000 (equivalent to approximately US$0.11095) each, which equivalent to a total of US$2,499,000 were issued and fully paid by PT Marom Jaya and Mr. Andy Widya Susato on 22 September 2010. On 28 May 2011, the Target Company was acquired by both PT Berau Coal Energy Tbk and Mr. Kasymir Zaldi, whom are interested in 22,523,486 ordinary shares and 1 ordinary share respectively onward.

25. RETIREMENT BENEFITS SCHEME

The employees in Indonesia are members of the Indonesia State-managed Retirement Benefit Scheme operated by the Indonesian government. The Target Company is required to contribute a certain percentage of payroll costs to the retirement benefits. The only obligation of the Target Company with respect to the retirement benefit scheme is to make specified contributions.

The total contributions incurred in this connection for the Relevant Periods and for the five months ended 31 May 2011 were approximately nil, US$10,000, US$14,000 and US$1,000.

26. COMMITMENT

Operating leases

The Target Company as leasee

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

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Within one year	—	—	119
In the second to fifth year inclusive	—	—	70
	—	—	189

Operating lease payments represent rentals payable by the Target Company for certain of its office equipments, motor vehicles and office properties. Leases are negotiated for an average term of half year to three years and rentals are fixed for an average of half year to three years.

Capital commitments

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of plant and equipment	994	4,294	—

27. RELATED PARTY TRANSACTIONS

In addition to balances disclosed in Note 20, the Group entered into the following related party transactions.

During the Relevant Periods, the Target Company had entered into the following transactions with related parties:

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May	
			2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*
Mining services income from a fellow subsidiary	—	2,271	185	2,931

	Period from 22 September 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May	
			2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest paid to holding company	—	—	—	16

The transactions are carried out on pricing and settlement terms as mutually agreed between the Company and its related party.

Compensation of key management personnel

The emoluments of the directors of the Company (representing key management personnel) during the year are set out in note 12.

28. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, 31 December 2011 and the period ended 31 May 2012, the Target Company entered into finance lease arrangements in respect of assets with a capital value at the inception of the leases of US$100,000, US$1,226,000 and US$116,000 respectively.

B. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 May 2012.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

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

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

30 October 2012

The Board of Directors
Ares Asia Limited
Unit 1602, 16th Floor,
LHT Tower
No. 31 Queen's Road Central,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Ares Asia Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III of the circular dated 30 October 2012 (the "Circular") in connection with the proposed acquisition of approximately 99.96% equity interest of PT Mutiara Tanjung Lestari (formerly known as PT Mutiara Logistic) (the "Target Company") (the Target Company together with the Group collectively referred to as the "Enlarged Group") (the "Acquisition"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Acquisition might have affected the financial information presented.

Respective responsibilities of Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 March 2012 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Ares Asia Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and PT Mutiara Tanjung Lestari (formerly known as PT Mutiara Logistic) (the "Target Company") (together with the Group hereinafter referred to as the "Enlarged Group") has been prepared by the directors of the Company (the "Directors") to illustrate the effect of the proposed acquisition of the entire issued share capital of the Target Company (the "Acquisition").

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition have been completed (the "Completion") on 31 March 2012 for the unaudited pro forma consolidated statement of financial position.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the published annual report of the Group for the year ended 31 March 2012, and the audited statement of financial position of the Target Company as at 31 May 2012 as extracted from the accountants' reports of the Target Company as set out in Appendix II to the Circular.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors and based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As it is prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to give a true picture of the actual financial position of the Enlarged Group on Completion of the Acquisition. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after the Completion.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 March 2012	The Target Company as at 31 May 2012	Pro forma adjustment	Note	The Enlarged Group
	US$'000	*US$'000*	*US$'000*		*US$'000*
Non-current assets					
Property, plant and equipment	581	10,762	—		11,343
Intangible assets	—	—	11,201	*3*	11,201
Deposits paid for plant and equipment	—	677	—		677
Deferred tax assets	—	300	—		300
Goodwill	—	—	1,700	*2*	1,700
	581	11,739	12,901		25,221
Current assets					
Inventories	4,153	—	—		4,153
Trade receivables	3,318	2,094	—		5,412
Deposits, prepayments and other receivables	5,314	464	—		5,778
Bank balances and cash	25,826	1,010	(15,382)	*4*	11,454
	38,611	3,568	(15,382)		26,797
Current liabilities					
Trade payables	1,208	—	—		1,208
Accruals and other payables	2,770	152	500	*5*	3,422
Amount due to holding company from the Target Company	—	1,982	(1,982)	*4*	—
Tax payables	48	91	—		139
Obligations under finance leases	—	468	—		468
Bank borrowings	—	1,787	—		1,588
	4,026	4,480	(1,482)		6,825
Net current assets (liabilities)	34,585	(912)	(13,900)		19,972
Total assets less current liabilities	35,166	10,827	(999)		45,193

	The Group as at 31 March 2012	The Target Company as at 31 May 2012	Pro forma adjustment	Note	The Enlarged Group
	US$'000	*US$'000*	*US$'000*		*US$'000*
Non-current liabilities					
Obligations under finance leases	—	719	—		719
Bank borrowings	—	6,809	—		7,008
Deferred tax liability	—	—	2,800	*3*	2,800
	—	7,528	2,800		10,527
Net assets	35,166	3,299	(3,799)		34,666
Capital and reserves					
Share capital	440	2,499	(2,499)	*6*	440
Reserves	34,726	800	(800)	*6*	34,226
	—	—	(500)	*5*	
Total equity	35,166	3,299	(3,799)		34,666

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

Notes:

1. At Closing, the Target Company will be owned as to approximately 99.96% by the Group and approximately 0.04% by Mr. Kasymir Zaldi. Mr. Kasymir Zaldi will issue to the Purchaser a confirmation letter stating that the shares of MTL held by him from time to time are for the benefit of the Purchaser. As such, the books of MTL will be 100% consolidated into the consolidated financial statements of the Group after Closing.

2. The adjustment on goodwill of approximately US$1,700,000 resulted from the Acquisition is calculated as follows:

	US$'000
Fair value of consideration	13,400
Less: Fair value of identifiable assets and liabilities acquired *(Note 2)*	(11,700)
Goodwill on Acquisition	1,700

Pursuant to the conditional sale and purchase agreement dated 24 September 2012 in respect of the Acquisition (the "Agreement"), the total consideration of US$13,400,000 is to be satisfied by cash.

The Directors have reviewed the carrying value of goodwill of the Target Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), taking into account the assessment result carried out by an independent valuer, Greater China Appraisal Limited ("GCA"). Based on the assessment result, the Directors are of the opinion that there are no indications that the values of the goodwill of the Target Company may be impaired.

3. The Target Company has entered into several services contracts (the "Committed Contracts") with PT Berau Coal, a fellow subsidiary of the Target Company for a term of 10 years starting from 2010 to 2020.

In preparation of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the Target Company, after taking reference of valuation report in Appendix V of this circular. The valuation is calculated using the discounted cash flow method at a discount rate of 22% (rounded) , which is carried out by GCA.

The adjustment represented the fair value of the Committed Contracts held by the Target Company of approximately US$11,201,000 and the corresponding deferred tax liability of approximately US$2,800,000 charged at Indonesian applicable tax rates of 25%. The fair value of the Committed Contracts represents the difference between the business valuation of US$14,500,000 as given in the valuation report and the net asset value of MTL amounting to US$3,299,000 in view of MTL did not have other material assets or intangible assets that are eligible for the fair value allocation. During the business combination, except for the Committed Contracts, the Directors have provisionally assessed that the carrying amounts of other identifiable assets and liabilities of the Target Company approximate their fair values on Acquisition.

The fair value of identifiable assets and liabilities acquired is calculated as follows:

	US$'000
Carrying amounts of identifiable assets and liabilities acquired	3,299
Fair value adjustment to the intangible assets	11,201
Deferred tax liability	(2,800)
Fair value of identifiable assets and liabilities acquired	11,700

Upon Closing, the fair value of the identifiable assets and liabilities of the Target Company will be reassessed and may be different from the fair value as stated above. As a result, the goodwill on acquisition at the date of Closing may be different from that estimated amount presented.

4. The decrease in bank balances and cash represents US$13,400,000 and US$1,982,000 payment of the cash consideration for the Acquisition and settlement of the outstanding balance due to the holding company from the Target Company respectively.

5. This represents the legal and professional fees of approximately US$500,000 which are directly attributable to the Acquisition. This adjustment has no continuing effect on the pro forma consolidated statement of comprehensive income of the Enlarged Group.

6. The elimination of the issued share capital and pre—acquisition reserves of the Target Company of approximately US$2,499,000 and US$800,000 respectively.

7. Other than the above adjustments, no adjustments have been made to reflect any results or transactions of the Group and the Target Company entered into subsequent to 31 March 2012.

MANAGEMENT DISCUSSION AND ANALYSIS ON MTL

The Target Company is a limited liability company established in Indonesia on 22 September 2010 and as at the Latest Practicable Date, has been owned as to approximately 99.99% and approximately 0.01% by the Vendor and Mr. Zaldi respectively since 28 May 2011. The principal business activity of the Target Company is coal hauling and mining services in the area of Tanjung Redeb, Regency of Berau, East Kalimantan Province, Indonesia.

The sole customer of the Target Company is PT Berau Coal, a subsidiary of the Vendor, which is operating a few coal mining sites in the area of Tanjung Redeb. The Target Company has entered into the Coal Transportation Contract and the Mining Services Contract with PT Berau Coal on 3 January 2011 for a term of 10 years. The term of the Coal Transportation Contract commenced from 30 November 2010 to 30 November 2020 and the term of the Mining Services Contract commenced from 1 December 2010 to 30 November 2020. Pursuant to these two contracts, the Target Company shall provide coal transportation services and shall lease certain heavy equipment (including the provision of skilled and experienced labour, operators and mechanics) to PT Berau Coal in relation to its operation of the mining sites around Binungan, Lati and Sambarata, Parapatan or other mining areas to be determined by the Vendor.

Under the Coal Transportation Contract, the Target Company will provide coal hauling services to carry the agreed amount of crushed coal from the loading point in Binungan coal crushing plant to Suaran Barge Terminal on a 28 kilometres paved road using eight hauling heavy trucks, each heavy truck is equipped with two vessels together capable of carrying 120 metric tonnes of coal. The provision of the coal hauling services is stipulated in the Coal Transportation Contract with a term of 10 years ending 30 November 2020, a fixed unit hauling price, and an annual coal hauling target of 2,500,000 metric tonnes utilizing 8 heavy trucks during the period from 1 January 2012 to 30 June 2016.

The Target Company and PT Berau Coal will negotiate on the unit hauling price and coal hauling target before the end of 2015 for the remaining term of the Coal Transportation Contract.

Under the Mining Services Contract, the Target Company will provide heavy mining equipment and corresponding manpower, operators and mechanics to PT Berau Coal's designated mining sites for a term of 10 years ending 30 November 2020. The heavy equipment provided by the Target Company includes dump trucks, fuel trucks, water trucks, lubricant trucks, excavators, bulldozers, graders, single drum rollers, tower lamps and water pumps. According to the Mining Services Contract and the ancillary documents, type and number of the equipment, minimum hours of usage of the equipment and the unit charges per hour or monthly charges were agreed. Furthermore, the Target Company will assign its skilled and experienced labour and operators to operate the heavy equipment under the instructions of PT Berau Coal's onsite supervisors, and mechanics will be assigned for the repair and maintenance of the equipment.

Financial review

For each of the period from 22 September 2010 (date of incorporation of the Target Company) to 31 December 2010, year ended 31 December 2011 and 5 months ended 31 May 2012 (the "Relevant Periods").

Turnover

The Target Company entered into Coal Transportation Contract and the Mining Services Contract with PT Berau Coal on 3 January 2011 for a term of 10 years in respect of providing coal hauling and equipment mining services (the "Mining Services"). The Target Company had not commenced business and did not record any revenue during the period from 22 September 2010 (date of incorporation) to 31 December 2010. The Target Company commenced business during the year 2011 and the turnover solely represented income from the Mining Services. For the year ended 31 December 2011 and for the five months ended 31 May 2012, the Target Company recorded a turnover of US$2,271,000 and US$2,931,000 respectively and a net profit of US$415,000 and US$ 389,000 respectively.

Financial and liquidity position

As at 31 December 2010, 31 December 2011 and 31 May 2012, the Target Company's audited net assets were approximately US$2,495,000, US$2,910,000 and US$3,299,000 respectively. The total cash and bank balances of the Target Company were approximately US$1,252,000, US$695,000 and US$1,010,000 respectively as at the end of each of the period.

As at 31 December 2010, 31 December 2011 and 31 May 2012, the Target Company had an amount due to holding company of approximately nil, US$1,966,000 and US$1,982,000 respectively. The amount was unsecured, no fixed term of repayment and interest free as at 31 December 2011 but carried an interest of 2% per annum as at 31 May 2012.

As at 31 December 2010, the Target Company had no borrowings except for the obligation under finance lease amounting to US$98,000. As at 31 December 2011 and 31 May 2012, borrowings which, save for the inclusion of obligations under finance leases for each of these two periods of US$1,206,000 and US$1,187,000, comprised several 5-year secured bank loans in the amount of approximately US$4,846,000 and US$8,596,000 respectively, which were arranged at fixed rates and the effective interest rates were 7.25% and 8% per annum and were secured by certain machinery and equipment of the Target Company totaling approximately US$5,836,000 and US$9,461,000 as at 31 December 2011 and 31 May 2012.

Gearing

As at 31 December 2010, the Target Company had no debt and the gearing ratio was zero. As at 31 December 2011 and 31 May 2012, the Target Company's gearing ratio (expressed as a percentage of total debt over total equity) was 2.76 and 3.57 respectively.

Treasury policies

The Target Company financed its working capital through its funds from its operations and bank loans. The Target Company also placed deposits to generate interest income. The Target Company did not enter into any form of financial arrangement for hedging during the Relevant Periods.

Capital commitments

As at 31 December 2010, 31 December 2011 and 31 May 2012, the Target Company had a total commitment (contracted for but not provided for in the financial statements of the Target Company) of approximately US$994,000, US$4,294,000 and nil respectively in respect of purchase of plant and equipment.

Capital structure

The Target Company raised approximately US$2,499,000 by issuing 22,523,487 ordinary shares of Rp 1,000 (equivalent to approximately US$0.11) each, which were fully paid by PT Marom Jaya and Mr. Andy Widya Susato on 22 September 2010. There were no change in the capital structure during the year ended 31 December 2011 and the five months period ended 31 May 2012.

Employees and remuneration

The Target Company had 1, 79 and 146 employees as at 31 December 2010, 31 December 2011 and 31 May 2012 respectively. The staff of the Target Company was remunerated based on their work performance, experience and responsibilities. Apart from the basic remuneration and retirement benefit scheme contribution, the Target Company may also provide discretionary bonuses.

Exchange rate exposure

For the period from 22 September 2010 (date of incorporation) to 31 December 2010, the Target Company had not commenced business and therefore the Target Company did not have any foreign exchange exposure. For the year ended 31 December 2011 and the five months ended 31 May 2012, the Target Company had foreign currency sales and expenditures, which exposed the Target Company to foreign currency risk. Approximately 40% of the Target Company's sales were denominated in currencies other than US dollars, whilst 33% and 38% of costs were denominated in US dollars.

The Target Company did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Charge on assets

The Target Company's leased assets classified under transportation equipment totalled to approximately US$116,000, US$1,285,000 and US$1,207,000 as at 31 December 2010, 31 December 2011 and 31 May 2012 respectively under finance leases secured by the lessor's charge over the assets.

As at 31 December 2010, 31 December 2011 and 31 May 2012, the Target Company's machinery and equipment amounting to approximately nil, US$5,836,000 and US$9,461,000 were pledged under bank loans.

Significant investments and material acquisitions and disposal

Except for the purchase of plant and equipment for each of the period from 22 September 2010 (date of incorporation) to 31 December 2010, year ended 31 December 2011 and the five months ended 31 May 2012 amounting to approximately US$119,000, US$1,405,000 and US$142,000 respectively, the Target Company did not have any significant investments, material acquisition and disposal for the Relevant Periods.

Contingent liabilities

As at 31 December 2010, 31 December 2011 and 31 May 2012, the Target Company did not have any contingent liabilities.

Future plans for capital assets

The Target Company will continue to provide the Mining Services to PT Berau Coal under the Business Agreements.

GCA Professional Services Group
漢 華 專 業 服 務 集 團

30 October 2012

The Board of Directors
Ares Asia Limited
Unit 1602, 16th Floor LHT Tower
31 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest of PT. Mutiara Tanjung Lestari

At the request of Ares Asia Limited (the "Company"), we were engaged to assist you in the valuation analysis on 100% equity interest (the "Equity Interest") of PT. Mutiara Tanjung Lestari ("MTL") as at 31 July 2012 (the "Valuation Date") in relation to a potential acquisition of the 22,513,487 ordinary shares of MTL.

It is our understanding that our analysis will be used by the management of the Company for investment purpose only, details of which are set out in the circular issued by the Company of which this valuation report forms part. The standard of value is fair value; while the premise of value is going concern.

Our work was performed subject to the assumptions, limiting conditions and general services conditions described in this report.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is to assist the management of the Company in determining the fair value of the Equity Interest of MTL as at the Valuation Date for investment purpose only.

BASIS OF VALUATION

We have valued the Equity Interest on the basis of fair value. Accordingly to International Valuation Standards, fair value is defined as the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

Our valuation has been prepared in accordance with the International Valuation Standards published by the International Valuation Standards Council.

LEVEL OF VALUE

Although valuation is a range concept, current valuation theories suggest that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

— **Controlling interest:** the value of the controlling interest, usually evaluating the enterprise as a whole;

— **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

— **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling and non-marketable interest basis.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in a manner that it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legal. Premises of value include the following:

— **Going concern:** appropriate when the business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

— **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

— **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

— **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of the entire business itself.

This valuation of the Equity Interest of MTL is prepared on a going concern basis.

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of the Equity Interest of the MTL as at the Valuation Date.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value of the Equity Interest were based on our discussions with the management of the Company, as well as a review of company records and financial projections, including but not limited to:

- Audited financial statements of the MTL for the years ended 31 December 2010 and 31 December 2011;

- Management account of the MTL as at the Valuation Date;

- Financial forecast of MTL for the period from 1 August 2012 to 31 December 2016;

- Translation version of agreements made by MTL and PT. Berau Coal ("PT Berau Coal") in relation to equipments mining services dated 3 January 2011;

- Translation version of agreements made by MTL and PT Berau Coal in relation to coal hauling services dated 3 January 2011; and

- Announcement made by the Company in which it was in negotiation for a possible acquisition of the majority equity stake in a logistics company in Indonesia dated 4 July 2012.

We conducted a site inspection which covered the business operation and the equipments of MTL during the period of 10 July 2012 to 13 July 2012. We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news.

ECONOMIC OVERVIEW

Indonesia is one of the member countries of the Association of Southeast Asia Nations ("**ASEAN**") and has the largest economy among its members. In 2011, based on the World Bank data, the nominal GDP of Indonesia was about US$846.8 billion[1]. Indonesia has abundant natural resources including crude oil, natural gas, coal, tin, copper, and gold. Major economic activities include agriculture, textile and apparel, and tourism. After the severe hit from the financial crisis in 1997, Indonesia's economy recovered and regained the investment grade rating in 2011. Even though Indonesia has a large population and sufficient natural resources, its economy is interlocked with other major economies under globalization. The country's future economic growth is still largely affected by external economic factors such as export performance.

Economic Performance

The economy of Indonesia continued its upward momentum in 2011. GDP (purchasing power parity) in 2009, 2010 and 2011 were estimated at US$1.008 trillion, US$1.07 trillion and US$1.139 trillion (all in 2011 US Dollars)[2]. Indonesia has continued its economic growth for thirty years except for the period of the Asian financial crisis in 1997. A long term stable growth in economy provides a solid foundation for Indonesia to step up into the international, diplomatic arena and become the key member of ASEAN. We expect Indonesia will increase its diplomatic power to fight for a better and fairer treatment in any international trade disputes.

Indonesia has around 17,000 islands and 33 provinces, with the fourth largest population in the world. Its population is heavily concentrated, with around 90% of its population living on Java Island and Sumutra Island. Similar to its population, economic activities in Indonesia are highly concentrated in some districts, especially on Java Island. Regional financial development is extremely imbalance. In 2009, the GDP per capita of the strongest performance district can be up to 162 times of the weakest performing district.

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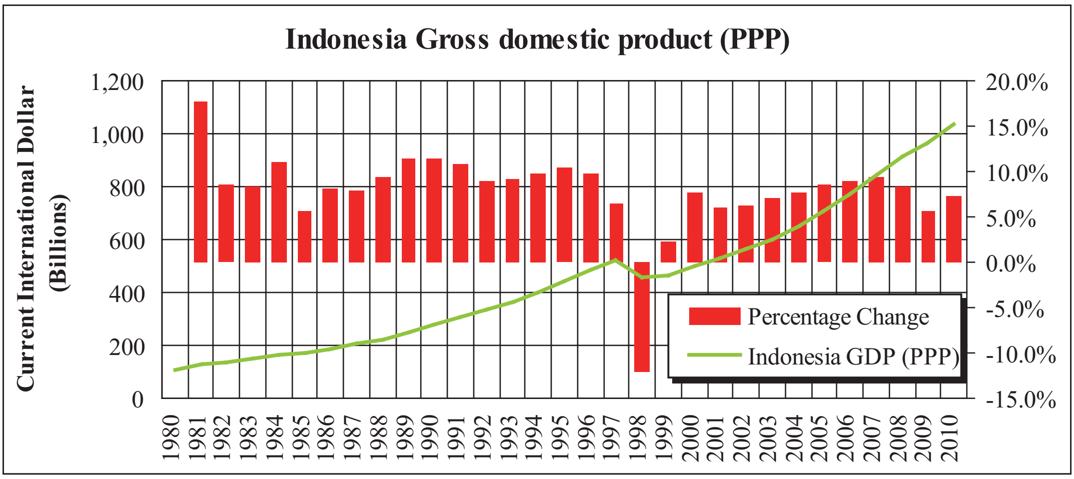
1 The World Bank Data

2 CIA – The World Fact Book

Majority of the economic activities includes agriculture, mining, textile and apparel manufacturing and tourism. Rice and coffee remain the major agriculture produces of Indonesia. Mining, especially the coal sector, has increased international investors' interest after a significant number of transactions took place in the last several years. Textile and apparels have lost its aura after the recession in late 2000. Many textile companies liquidated due to the cheap products import from China. Tourism is currently the major booster of Indonesia's economy, it contributed about IDR220,773 billion to the national GDP, and is expected to rise by 7.6% in 2012.

As the Indonesian economic growth still largely depends on external factors, we expect the economic growth in the short term will continue to grow at a moderate pace or even slightly going backwards due to a slow recovery in the US market and a dim prospect on the European debt crisis. However, imbalanced geographical development, poor transportation infrastructure and serious corruption problem are the major challenges to the country's economic growth.



Source: International Monetary Fund and the World Bank

Price Stability

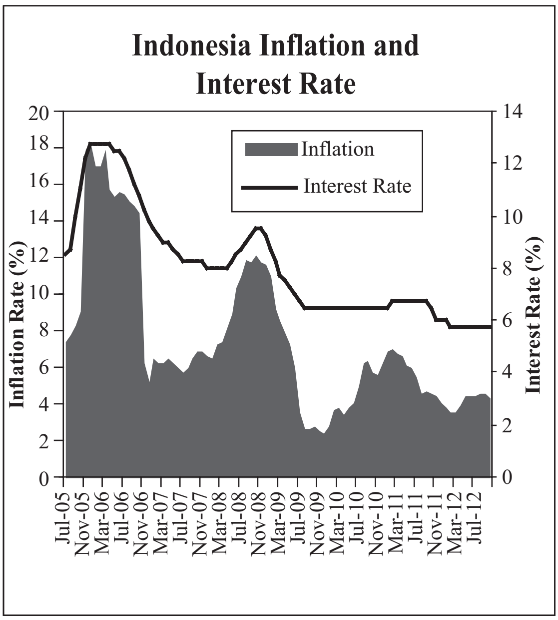
High inflation is always a common problem in developing countries. Indonesia faces a similar challenge but has handled the problem in the last four years. The latest inflation rate of Indonesia is 4.31%[3] which is lower than the average inflation rate in the last four years (around 5%) and average inflation rate in the last decade (around 7.5%).

3 Badan Pusat Statistik

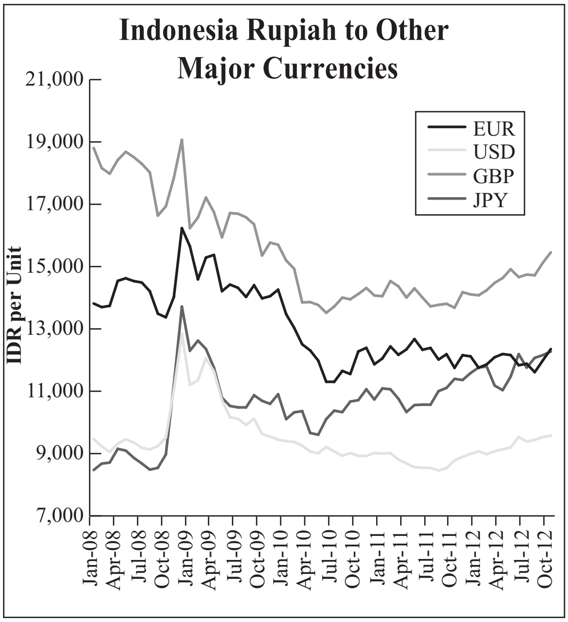
In February 2012, Bank of Indonesia suddenly reduced the reference interest rate for 25 basis points to a record low of 5.75%. The cut surprised the market as more than half of the economists had expected the central bank would leave the rate unchanged. However, based on the current outlooks, it is believed that inflation will continue to ease.

Lowering the interest rate will weaken the Indonesia Rupiah as the return of the Indonesia Rupiah is less attractive compared to that of other currencies. In February 2012, it was expected the Indonesian Rupiah may be weaken a bit and continue to appreciate over the medium term. After the US Government announced the third round of quantitative easing (“**QE3**”), all Asian currencies are expected to continuously strengthen although some economists said the impact is minimal.

Overall speaking, the price level is still considered to be stable within domestic context as the soft landing of the economy and government counter-cycle measurements. Due to the QE3, it is expected that the Indonesia Rupiah to the US Dollar would be strengthened when the hot money flows into the Asia Pacific region.



Sources: Badan Pusat Statistik and Bank of Indonesia



Remarks: JPY is in 100 units.
Source: www.xe.com

International Trade

Indonesia exports many different types of commodities including crude oil, natural gas, silver, coal, copper, tin, nickel, rubber, palm oil, textile, plywood and electronic equipments. Recently, the robust economic expansion in China and India has boosted the export of coal and palm oil. On the other hand, more and more Chinese manufacturers start to relocate their manufacturing plants in China to Southeast Asia countries for lower manufacturing costs and, relocating to Indonesia is one of their choices. As a result, not only commodity, electronic equipment exports also maintain high level in recent years. Compared to other Southeast Asian countries, Indonesia is relatively less reliant on exports, which only accounted for less than 30% of the country's GDP.

Subject to the weak demand from the globe, the export figure in August 2012 dropped 24.3% from the same month last year and declined 12.27% from July 2012. China has become the largest export contributor of Indonesia, followed by Japan and the United States.

Due to the rapid expansion of the local economy, Indonesia needs to import many machineries, electronic equipments and base metals. Even the export in first eight months of 2012 was not good, total import jumped 10.28% to US$126.67 billion.

Overall speaking, Indonesia exports in the short run are more influenced by China's economic performance rather than from American and European markets. If the Chinese government launches more powerful policies to support the economy after the 18th National Congress, the demand for based metals and coal will revive the weak export performance. In the long run, American market recovery and ease of European debt crisis and national political unrest might continue to be the determining factors.

INDUSTRY OVERVIEW

MTL provides coal mining services. The demand for their services can be reflected by the coal mining industry as a whole. Understanding about the coal mining industry in Indonesia can reveal some insights about the risks and opportunities of their business.

Indonesia has a strong demand in the mining sector. The coal industry is especially eye-catching to international investors after several significant transactions in the past several years. Although the mining law of Indonesia has imposed some restrictions on foreign companies conducting mining contracting and services business in Indonesia, there remains to be some sizable mining contractors which are controlled by foreign entities, such as PT Thiess Contractors Indonesia. Some of the mining operators listed on the Indonesia Stock Exchange are also owned materially by overseas investors, which include PT United Tractors Tbk, PT ABM Investama Tbk and PT Delta Dunia Makmur Tbk etc.

Most of the coal reserves of Indonesia are located in East Kalimantan. Coal mines within the Kalimantan coastal areas are expected to contribute the largest share of Indonesian production over the forecast period. These operations are within proximity of the coastline and only require short barging distances to reach the vessel loading points.

Coal production in Indonesia is expected to significantly expand in the near to mid-term, driven by increasing demand both domestically and internationally. The current existing mine operations are expected to account for a large part of Indonesia's production growth by 2016. Around 80% of the coal mined are exported. It is expected that the demand for coal will continue to be high both locally and internationally, and the total coal production output of Indonesia is projected to reach 499 million tonnes by 2016.

The developing Asian countries, India in particular, are expected to provide the greatest demand on the imported thermal coal for power generation. Due to different restrictions, it is expected that the excess demand in some of these developing Asian countries will continue to be fulfilled by imports from other countries like Indonesia and South Africa. The growth is expected to be at a CAGR of 17% between 2011 and 2016.

Mining services is a capital intensive business. The procurement and importation of mining machineries require tremendous amount of capital investments, and thus impose a natural barrier to other smaller local mining services companies. With the continuous development of the coal mining sectors, the demand for mining services will continue to increase.

COMPANY OVERVIEW

Ares Asia Limited (the "Company")

The Company is a Hong Kong listed company with stock code: 645. The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of athletic and sports leisure footwear products.

PT. Mutiara Tanjung Lestari ("MTL")

MTL was incorporated under the laws of the Republic of Indonesia in September 2010 and located in Jakarta. On 28 May 2011, MTL was acquired by PT. Berau Coal Energy Tbk. (the "Vendor") and is wholly-owned by the Vendor as at the Valuation Date. MTL is principally engaged in the business of equipments mining services and coal hauling. Major revenue streams of MTL come from long-terms contracts of 10 years with PT Berau Coal in provision of coal hauling services and equipments mining services with operators.

VALUATION METHODOLOGIES

The valuation of any asset can be broadly classified into one of three approaches, namely asset approach, market approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Based on the theory that the value of a business is equal to the sum of its parts, value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected asset approach for the valuation of the Equity Interest in MTL because:

— The fair value of a profitable operating company is determined by the ability to generate a stream of benefits in future, rather than the cost of replacement of its existing assets and liabilities.

Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected market approach for the valuation of the Equity Interest in the MTL because:

— Market approach is the approximate transaction price of a company/business in the market place. There are no sufficient comparable transactions in the public market; and

— Acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the estimate of the transaction.

Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have applied income approach to the valuation of the Equity Interest in MTL because:

— MTL has profitable operation records;

— The fair value of a profitable operating company is determined by the ability to generate a stream of benefits in future; and

— Economic benefit streams of MTL can be identified based on projected cash flows which are estimated by reasonable assumptions.

VALUATION ASSUMPTIONS OF EQUITY INTEREST

A number of assumptions have to be established in order to sufficiently support our concluded fair value of the Equity Interest of MTL. The general assumptions adopted in this valuation are:

— there will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in Indonesia where MTL is carrying on its businesses;

— there will be no significant deviation in the industry trends and market conditions from the current market expectation;

— there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

— there will be no major changes in the current taxation law in and Indonesia, Hong Kong and countries of origin of our comparable companies; and

— MTL will retain competent management, key personnel, and technical staff to support the ongoing business operations.

MAJOR ASSUMPTIONS OF BUSINESS VALUATION

Equity Value is an economic measure reflecting the market value of the equity interest. Our development of an equity value will be performed by using a discounted cash flow ("DCF") methodology, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and capital expenditure requirement.

The essential elements of DCF are: (1) the expected free cash flows to equity holders ("FCFE") to be discounted, and (2) the discount rate (Return of Equity). FCFE is projected by the formulae below.

Earnings before interest and tax ("EBIT") = (Total Revenue – Costs of Goods Sold – Operating Cost – Depreciation);

Net Income = EBIT – Interest Expenses – Income Tax;

Free Cash Flow to Firm ("FCFF") = Net Income + After-Tax Interest Expenses + Depreciation +/– Change in Net Working Capital – Capital Expenditure; and

FCFE = FCFF – After-Tax Interest Expenses – Principal Repayment of Outstanding Debt + Additional Borrowing

The net cash flows to equity holders from the operation of MTL are estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \ldots + \frac{E_n}{(1+k)^n}$$

— E_1, E_2, E_3, etc. = Expected free cash flows to equity holders in the 1st, 2nd, 3rd periods, and etc.

— E_n = Expected free cash flows to equity holders in the last period. In the case of MTL, we assume n is the 9th period.

— k = Return of Equity

We have reviewed the calculation and discussed with the management of the Company and the MTL about the validity of the projection. Our valuation is developed based on this financial projection.

Basis of Revenue and Cost of Sales

Revenues of MTL come from provision of heavy equipments mining services and coal hauling service for PT Berau Coal. The projected revenue of the MTL in 2012 is estimated based on operation of remaining 5 months in 2012. Since MTL had obtained coal hauling service contracts and equipments mining services contract with PT Berau Coal only as of the Valuation Date with constant unit price and unit rental rate, we assumed that there will not be any revenue growth from 2013 to 2020. The projected costs of sales include salaries of mining workers, cost for repair and maintenance of heavy equipments and costs of insurance. The total costs of sales are based on the historical gross profit margin of MTL.

US$ '000	**Aug – Dec 2012**	**2013**	**2014**	**2015**	**2016**
Coal Hauling Revenue *(Note 1)*	1,572	4,180	4,180	4,180	4,180
Equipment Mining Services Revenue *(Note 2)*	3,066	12,894	12,894	12,894	12,894
Total Revenue	4,638	17,074	17,074	17,074	17,074
Costs of Salaries	(403)	(507)	(533)	(559)	(587)
Costs of Repair & Maintenance	(596)	(2,168)	(2,168)	(2,169)	(2,170)
Costs of Insurance	(114)	(137)	(137)	(156)	(185)
Total Costs of Sales	(1,113)	(2,812)	(2,838)	(2,885)	(2,943)
Gross Profit Margin	76.0%	83.5%	83.4%	83.1%	82.8%

* *Sum of individual figures may not equal the total amount due to rounding*

Notes:

1. The projected coal hauling revenue is based on the unit rental rate as stated in the Coal Transportation Contract multiplied by the actual coal hauling volume. In respect of the coal hauling volume, we assume that the existing 8 hauling trucks will perform 360 days of operations in a year and 14 hours of operations per day, with an efficiency rate of 72% based on MTL's performance in 2011.

2. The equipment mining service revenue is the sum of the unit of equipment multiplied by its respective annual rental rates. Annual rental rate is based on the unit rental rate and minimum rental hours as stated in the Mining Services Contract, which includes the additional equipment which will commence the provision of the mining services by the end of 2012.

Operating Expenses

Operating expenses include all the required expenses to support the operation of the business which include management fee, general & administrative expenses ("G&A"), depreciation and interest expense, etc. The estimated operating expenses are based on the historical unit cost of each component among G&A and the respective level of G&A expenses of each component are related to other factors such as number of employees hired by MTL of each year and annual growth of unit cost of each component of G&A expenses to reflect the inflation effect on G&A expenses.

Capital Expenditures ("CAPEX")

Per discussion with the management of the Company, they expected there are about US$ 15.6 million to purchase equipments in 2012 to support future operation. Besides, they expected that there will be a partial replacement of equipments after an 4-year useful life. In the valuation, we assumed MTL will renew its equipments after the useful life of equipments in 2015, 2016 and 2017.

Corporate Income Tax Rate

Since MTL operates its businesses in Indonesia, we applied 25% corporate income tax rate throughout the projection period.

Basis of Working Capital Movement

Management of the Company refers to MTL's historical level of working capital to estimate the required working capital to sustain the operation in future. The detailed assumptions are listed below.

— 45 days as the account receivables collection periods;
— 0.1% of revenue as the other receivable;
— 3% of revenue as the prepaid expense;
— 20% of revenue as the prepaid tax;
— 45 days as the account payable outstanding periods;

— 10% of operating expenses as the accrued expenses; and
— 2% of corporate tax expenses as the tax payable.

Basis of Net Outstanding Debt

MTL had financed considerable amount of both short-term and long-term bank loans. According to the management accounts of MTL, it had around US$8.4 million total outstanding bank loans as at the Valuation Date. Besides, there are around US$2 million outstanding debts due to the Vendor as at the Valuation Date. In the valuation, we relied on the repayment schedule of total outstanding debt provided by the management of the Company. In addition, management of the Company confirms that 80% costs of additional equipments bought after the Valuation Date in 2012 will be financed by bank loan with repayment period of 5 years and the remaining 20% costs will be financed by: (i) the Vendor in the form of shareholder's loan to MTL if it will be required prior to the completion of acquisition of the 22,513,487 ordinary shares of MTL (the "Closing") and it will be repaid by MTL to the Vendor upon the Closing; or (ii) internal resources of the Company if it will be required after the Closing.

Finance Leases Payable

MTL made finance lease for some fixed assets such as motors for its general and administrative usage. There were around US$1.1 million finance lease payable as at the Valuation Date and annual lease payment will be incurred by MTL until maturity in 2014.

SUMMARY OF FREE CASH FLOWS TO EQUITY HOLDERS ("FCFE") PROJECTION

The table below shows the projection of FCFE (US$ '000) for the valuation.

Year	Aug to Dec 2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	**4,638**	**17,074**	**17,074**	**17,074**	**17,074**	**17,074**	**17,074**	**17,074**	**17,074**
– Costs of Sales	(1,113)	(2,812)	(2,838)	(2,885)	(2,943)	(2,986)	(3,029)	(3,073)	(3,116)
– Operating Expenses	(307)	(864)	(907)	(955)	(1,005)	(1,052)	(1,098)	(1,145)	(1,192)
– Depreciation	(1,692)	(6,788)	(6,786)	(7,732)	(6,358)	(4,422)	(4,422)	(3,480)	(2,031)
= EBIT	**1,525**	**6,609**	**6,543**	**5,503**	**6,769**	**8,614**	**8,524**	**9,377**	**10,735**
– Interest Expenses	(663)	(1,459)	(1,141)	(823)	(505)	(187)	—	—	—
– Income Tax	(215)	(1,287)	(1,350)	(1,170)	(1,566)	(2,107)	(2,131)	(2,344)	(2,684)
= Net Income	**647**	**3,862**	**4,051**	**3,510**	**4,698**	**6,321**	**6,393**	**7,032**	**8,052**
+ After-Tax Interest Expenses	497	1,095	856	617	379	140	—	—	—
+ Depreciation	1,692	6,788	6,786	7,732	6,358	4,422	4,422	3,480	2,031
– Capital Expenditure	(15,586)	—	—	(3,770)	(5,797)	(8,105)	—	—	—
+/– Change of Net Working Capital	(303)	(2,322)	5	1	5	85	11	14	17

Year	Aug to Dec 2012	2013	2014	2015	2016	2017	2018	2019	2020
= FCFF	**(13,053)**	**9,423**	**11,698**	**8,089**	**5,644**	**2,863**	**10,826**	**10,526**	**10,099**
– After-Tax Interest Expenses	(497)	(1,095)	(856)	(617)	(379)	(140)	—	—	—
+/– Change of Net Outstanding Debt	13,905	(5,877)	(5,877)	(5,877)	(4,175)	(2,494)	—	—	—
– Finance Lease Payment	(192)	(385)	(385)	(192)	—	—	—	—	—
= FCFE	**163**	**2,067**	**4,580**	**1,402**	**1,090**	**229**	**10,826**	**10,526**	**10,099**

* *Sum of individual figures may not equal the total amount due to rounding*

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity ("R_e") of MTL based on the data and factors relevant to the economy, the industry and MTL as at the Valuation Date.

Development of Cost of Equity ("R_e")

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate the cost of equity of MTL.

Modified Capital Asset Pricing Model

MCAPM, as applied to MTL, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_c + RP_u}$$

Where R_e: Cost of Equity;
R_f: Risk Free Rate;
Beta: A measure of systematic risk;
ERP: Equity Risk Premium;
RP_s: Size Premium;
RP_c: Country Risk Premium; and
RP_u: Specific Company Adjustment.

Risk Free Rate (“R_f”)

R_f was found by looking at the yields of the United States (“US”) government bond. We relied on the yield of 30-year US government bond as at the Valuation Date to estimate R_f.

Equity Risk Premium (“ERP”)

We adopted the recent 30 years of equity risk premium of the market where the subject companies are located and relied on International Equity Risk Premia Report Handbook 2012 published by Ibbotson Associates.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas for 7 publicly traded guideline companies (the “Guideline Public Companies”) for MTL. The betas of the Guideline Public Companies were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ capital structure. From market participant’s point of view, we assumed that in the long run MTL’s capital structure will align with the median of other participants to remain competitive.

Selection of the Guideline Public Companies

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of R_e. One would start with a description of the subject company, in terms of lines of business, markets served, size and other criteria.

For this particular engagement, we have selected 7 companies that are engaged in the similar lines of business as the Guideline Public Companies, which are as follows:

	Guideline Public Companies	Ticker	Business Activities
1.	PT Berau Coal Energy Tbk	BRAU IJ	Operates mining activities including open-cut mining in its concession area in East Kalimantan, Indonesia.
2.	Delta Dunia Makmur Tbk PT	DOID IJ	Provides open-cut coal mining services to coal producers in Indonesia.

Guideline Public Companies		Ticker	Business Activities
3.	Intraco Penta Tbk PT	INTA IJ	Trades and leases heavy equipment and related to assembly and repair.
4.	ABM Investama Tbk PT	ABMM IJ	Invests in energy resources, energy services and energy infrastructure; and mines coal, offers mining services, offer logistics and warehousing services, generates electricity, and manufactures equipments for the mining, oil and natural gas, electricity generation and transportation industries.
5.	Darma Henwa Tbk PT	DEWA IJ	Operates coal mining; and provides machinery leasing and energy consultancy services.
6.	United Tractors Tbk PT	UNTR IJ	Distributes and leases construction machinery; and provides contract mining services, and trades and assembles heavy equipments.
7.	Hexindo Adiperkasa Tbk PT	HEXA IJ	Distributes heavy equipment and provides after sales, rental recondition, and maintenance services.

Median Levered Beta	Median Re-levered Beta
1.02	0.94

Size Premium (“RP_s”)

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of MTL, we applied a size premium return in excess of MCAPM of companies in the micro cap of NYSE/AMEX/NASDAQ in the US. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2012 Yearbook.

Country Risk Premium (“RP_c”)

RP_c, over the risk premium for the market, can be referred by default spread of particular country, which is Indonesia in this case. The default spread of a country can be calculated by comparing yield of traded country bond over a default free government bond which is commonly referred to the US treasury yield. In the valuation, we referred to research conducted by Aswath Damodran in January 2012.

Specific Company Adjustment (“RP_u”)

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the company being valued.

Firm specific risk factors may include the following:
— Competition
— Customer Concentration
— Size
— Poor Access to Capital
— Thin Management
— Lack of Diversification
— Environmental
— Litigation
— Distribution Channels
— Old Technology
— Company Outlook

In the case of MTL, we believe it was necessary to apply 3.5% of RP_u to the cost of equity as:
— The size of MTL is relatively small;
— Business cycle of MTL is highly correlated to mining industry in Indonesia and is considered as a risky industry;
— Volatility of returns of MTL is highly correlated to coal price and mining production of its customers;
— PT. Berau Coal is the only customer of MTL as at the Valuation Date, it shows that customer base of MTL is not well diversified; and
— MTL finances 80% of its purchase of heavy equipments by debt for its future operation which is in high leverage.

Apart from that, we applied additional 3% of RP_u to the cost of equity to reflect its lack of marketability since MTL is a private company, for detailed description, please refers to the section "Discount for Lack of Marketability ("DLOM") on below. In conclusion, there is an additional 6.5% of RP_u in total had been applied to the cost of equity.

Cost of Equity ("R_e") Conclusion

MCAPM	
Risk Free Rate ("R_f")	2.55%
Beta	0.94
Equity Risk Premium ("ERP")	5.50%
Size Premium ("RP_s")	3.89%
Country Risk Premium ("RP_c")	3.60%
Specific Company Adjustment ("RP_u")	6.50%
Cost of Equity ("R_e") (rounded)	**22.00%**

DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

DLOM is the valuation adjustment with the largest monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. A controlling interest does enjoy the benefit of controlling the cash flow stream of MTL. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. In view of the above, we adopted an additional 3% of DLOM and applied it in the calculation of cost of equity.

SENSITIVITY ANALYSIS

Cost of Equity & Revenue Growth Rate (from 2017 onwards)

Both the R_e and the revenue growth rate adopted play a pivotal role in the valuation as they are very sensitive to the fair value of the Equity Interest. The fair values of the Equity Interest after DLOM under different combinations of the R_e and the revenue growth rate are presented below:

Value of Equity Interest after DLOM *(US$ '000)*

	Revenue Growth Rate from 2017 onwards (%)				
R_e (%)	-10.00%	-5.00%	**0.00%**	+5.00%	+10.00%
19.00%	13,500	14,800	16,300	17,800	19,600
20.00%	13,000	14,300	15,600	17,100	18,800
21.00%	12,600	13,700	15,000	16,400	18,000
22.00%	12,100	13,200	**14,500**	15,800	17,300
23.00%	11,700	12,800	13,900	15,200	16,600
24.00%	11,300	12,300	13,400	14,600	15,900
25.00%	11,000	11,900	12,900	14,100	15,300

SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of MTL, and strengths/weaknesses are discussed.

Asset Approach

Replacement, Liquidation or Book Value Method . . . . N/A
Application . . . . Rejected

Market Approach

Guideline Public Company Method . . . . N/A
Application . . . . Rejected

Income Approach

Discounted Cash Flow Method . . . . US$14,500,000
Application . . . . Accepted

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and MTL.

The opinion expressed in this report has been based on the information supplied to us by the Company, and MTL and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company and MTL. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

CONCLUSION OF FAIR VALUE

In conclusion, based on the analysis stated above and the valuation methodology employed, it is our opinion that the fair value of 100% equity interest of PT. Mutiara Tanjung Lestari as at 31 July 2012 is as follows:

Fair Value	*US$*
100% equity interest of PT. Mutiara Tanjung Lestari (Rounded)	14,500,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S.F. Choy
CFA, CVA
Director

Analyzed and Reported by:
Ferry S.F. Choy, *CFA, CVA*
Director
Mr. Ferry S.F. Choy, CFA, CVA, is experienced in performing valuation for different industries. Most of his clients were listed companies or large private companies looking for going public. His experience covers a wide range of different industries including food & beverage, manufacturing and information technology.

Kenneth H.M. Ng, *FRM*
Assistant Manager, Business Advisory
Mr. Kenneth H.M. Ng, FRM, has substantial experience in valuation of business and intangible assets including operating licenses, mining license, trading contracts, customer bases, tradename and trademark. His experience covers wide range of industries including healthcare, financial services, mining, toll road, information technology, manufacturing and retail.

GENERAL SERVICES CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standards. Our compensation is not contingent in any way upon our conclusions of values. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, workpapers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

Our report is to be used only for the specific purposes stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for his or her own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

信永中和 ShineWing

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

30 October 2012

The Board of Directors
Ares Asia Limited
Unit 1602, 16th Floor,
LHT Tower,
No. 31 Queen's Road Central,
Hong Kong

Dear Sirs,

Ares Asia Limited (the "Company") and its Subsidiaries (hereinafter collectively referred to as the "Group")

We have examined the accounting policies adopted and calculations of the underlying profit forecast (the "Underlying Forecast") to the business valuation dated 31 July 2012 prepared by Greater China Appraisal Limited (the "Valuer") in respect of the valuation on PT Mutiara Tanjung Lestari (formerly known as PT Mutiara Logistic) (the "Target Company") in connection with the proposed acquisition of approximately 99.96% equity interest in the Target Company by the Company as of 31 July 2012 as set out in Appendix V of the circular of the Company dated 30 October 2012 (the "Circular").

Responsibilities

The directors of the Company and the Target Company (the "Directors") are solely responsible for the preparation of the Underlying Forecast including the assumptions, for the purpose of business valuation of the Target Company based on discounted cash flow method. The Underlying Forecast has been prepared using a set of assumptions (the "Assumptions"), that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Summary of our work

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and with reference to the procedures specified in Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts". We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the Directors as set out in Appendix V of the Circular and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

30 October 2012

The Board of Directors
Ares Asia Limited
Suite 1602, 16th Floor,
LHT Tower,
31 Queen's Road Central,
Central, Hong Kong

Dear Sirs,

Ares Asia Limited (the "Company")
Major Transaction – Proposed Acquisition of a Mining Services Company

We refer to the profit forecasts (the "**Forecasts**") underlying the valuation report (the"**Valuation Report**") prepared by Greater China Appraisal Limited ("**GCA**") in respect of the appraisal of the 100% equity interests of PT. Mutiara Tanjung Lestari ("**MTL**") (the "**Target Company**") as at 31 July 2012. The Valuation Report of the Target Company is included in Appendix V to the circular dated 30 October 2012 (the "**Circular**") issued by the Company.

The Valuation Report, which has been arrived at using the discounted cash flow method, is regarded as a profit forecast under Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have been engaged to assist the directors of the Company (the "**Directors**") for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecasts and the adoption of accounting policies thereof, and our work does not constitute any valuation of the Business Enterprise. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We have reviewed the Forecasts upon which the Valuation Report has been made for which you as the Directors are solely responsible, and have discussed with you and GCA the information and documents provided by you which formed part of the bases and assumptions upon which the Forecasts have been prepared. We have also considered the letter from SHINEWING (HK) CPA Limited dated 30 October 2012 addressed to yourselves as set out in Appendix VI to the Circular regarding the arithmetical calculations upon which the Forecasts have been made. The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Forecasts may not be appropriate for purposes other than for deriving the Valuation Report. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by GCA, for which GCA and the Company are responsible, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry in accordance with the bases and assumptions determined by you and GCA as set out in the Valuation Report.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no matters the omission of which would make any statement herein or this circular misleading.

II. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

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

III. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long Position in the Shares:

Name	**Nature of interest**	**Number of Shares**	**Approximate percentage of the issued share capital of the Company**
CHUA Chun Kay (“Mr. CHUA”) *(Note)*	Interest in controlled corporation	209,707,416	61.57%

Note: The 209,707,416 Shares are held by Star Crown Capital Limited (“Star Crown”) and the entire issued share capital of Star Crown is owned by Mr. CHUA.

Options outstanding under the share option scheme of the Company:

Name	**Capacity**	**Number of underlying Shares (options granted)**	**Approximate percentage of the issued share capital of the Company**
Junaidi YAP *(Note)*	Beneficiary Owner	1,500,000	0.44%

Note: On 25 October 2012, the Company granted 1,500,000 share options to Mr. Junaidi YAP, an executive director and the chief executive officer of the Company to subscribe for 1,500,000 Shares under the share option scheme adopted by the Company on 21 September 2012, subject to the acceptance of Mr. Junaidi YAP. Please refer to the announcement of the Company dated 25 October 2012 of further details.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 the Company or any other member of the Group:

Long Position in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. CHUA *(Note)*	Interest in controlled corporation	209,707,416	61.57%
Star Crown Capital Ltd *(Note)*	Beneficial owner	209,707,416	61.57%

Note: The 209,707,416 Shares are held by Star Crown and the entire issued share capital of Star Crown is owned by Mr. CHUA.

IV. DIRECTORS' SERVICE CONTRACTS

Mr. Junaidi YAP, an executive Director, has entered into a service agreement with the Company on 13 June 2012 which can be terminated by either party by giving three months written notice. There is no specific term of service with the Company but he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with the Group or the Enlarged Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

V. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Enlarged Group.

VI. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

Mr. Adwin Haryanto Suryohadiprojo ("**Mr. SURYOHADIPROJO**"), the chairman of the Company and an executive Director, is currently the president director of PT Darma Henwa Tbk, an integrated mining contractor and energy services company listed on the Indonesia Stock Exchange. As at the Latest Practicable Date, Mr. SURYOHADIPROJO had no interest in PT Darma Henwa Tbk. The principal businesses of PT Darma Henwa Tbk are the provision of comprehensive civil construction services and comprehensive mining services in different states in Indonesia.

In the event if there shall be any material conflict of interest between Mr. SURYOHADIPROJO or any of his associate(s) with the Enlarged Group due to the position of Mr. SURYOHADIPROJO or any of his associate(s) in PT Darma Henwa Tbk, Mr. SURYOHADIPROJO shall not vote on such resolutions of the Company in accordance with the Bye-laws. After Closing, the management of MTL will continue to be carried on by its existing Directors and management team and the Company will only appoint members to its board of commissioner and Mr. SURYOHADIPROJO will not involve in the daily operations and management of MTL.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates were considered to have interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Enlarged Group or have or may have any other conflict of interest with the Enlarged Group pursuant to the Listing Rules.

VII. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date up to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

VIII. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the deed of tax indemnity dated 5 January 2011 between Top Source Securities Limited, Wonder Star Securities Limited, Mr. Lee Chi Keung, Russell and the Company pursuant to which Top Source Securities Limited, Wonder Star Securities Limited and Mr. Lee Chi Keung, Russell gave the Company certain indemnity for taxation as provided for therein;

(b) the non-disclosure agreement dated 5 January 2011 between Star Crown Capital Ltd. and the Company pursuant to which the Company agreed to grant Star Crown Capital Ltd. and its professional advisers access to information belonging to the Group during the period between the date of the non-disclosure agreement and the close of the unconditional mandatory cash offer in respect of all the issued Shares (details of which were set out in the composite document of the Company dated 26 January 2011) with a view to discharge the obligations of Star Crown Capital Ltd. under the Takeovers Code and the applicable laws;

(c) the credit agreement dated 12 April 2011 and corresponding supplemental agreements subsequently entered into between MTL (as the debtor) and PT. Bank Mega Tbk. (as the creditor) in respect of the loan facilities of USD5,561,160 in aggregate provided by PT. Bank Mega Tbk. to MTL for the terms of 5 years at an interest rate of 8% per annum;

(d) the finance lease agreement and supplemental agreements entered into between MTL (as the lessee) and PT. Capitalinc Finance (as the lessor) dated 13 May 2011, 30 June 2011 and 22 November 2011 in respect of the credit facilities of USD1,362,535 in aggregate provided by PT. Capitalinc Finance to MTL secured by certain machinery and equipment of MTL for the terms of 3 years at an interest rate of 8% per annum;

(e) the investment credit agreement entered into between MTL (as the debtor) and Lembaga Pembiayaan Ekspor Indonesia or referred to as Indonesia Eximbank (as the creditor) dated 29 December 2011 in respect of a credit facility of US$5,000,000 provided by Indonesia Eximbank to MTL for a term of sixty-three months from the date of the credit agreement at interest rates of 7.25% to 7.5% per annum;

(f) the secured exchangeable bond agreement dated 30 May 2012 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 2013 in the principal amount of US$5,000,000 to be issued by the said issuer;

(g) the Business Agreements; and

(h) the Agreement.

Save as disclosed above, there are no other contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, are, or may be, material, having been entered into by the Enlarged Group within the two years immediately preceding the date of this circular.

IX. EXPERTS' QUALIFICATION AND CONSENTS

The following are the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Bridge Partners Capital Limited	a licensed corporation under the SFO licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
SHINEWING (HK) CPA Limited	Certified Public Accountants
GCA Professional Services Group	Independent valuer

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of its advice, report and the reference to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2012, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

X. MISCELLANEOUS

(a) Mr. Ng Wai Hung is the company secretary of the Company. He is a practicing solicitor and a partner of Iu, Lai & Li, a Hong Kong firm of solicitors and notaries.

(b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong of the Company is Unit 1602, 16th Floor, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of discrepancy.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1602, 16th Floor, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong, during normal business hours on any business day (other than Saturdays) from the date of this circular to and including the date of the SGM:

(a) the Memorandum and the Bye-laws and the Articles of Association of MTL;

(b) the annual reports of the Company for the years ended 31 March 2011 and 2012;

(c) the accountants' report of MTL, the text of which is set out in Appendix II to this circular;

(d) the report regarding the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the valuation report of 100% equity interest of MTL, the text of which is set out in Appendix V to this circular;

(f) the services contract(s) referred to in the paragraph headed "Directors' service contracts" in this appendix;

(g) the letters from SHINEWING (HK) CPA Limited and Bridge Partners Capital Limited on profit forecasts in connection with the business valuation of 100% equity interest of MTL, the text of which is set out in Appendix VI to this circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(i) the written consents referred to in the paragraph headed "Experts' qualifications and consents" in this appendix.

ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 645)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Ares Asia Limited ("**Company**") will be held at Unit 1602, 16/F, LHT Tower, No. 31 Queen's Road Central, Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the agreement (the "**Agreement**") dated 24 September 2012 and entered into between Ares Access Limited ("**Ares Access**"), an indirect wholly-owned subsidiary of the Company, and the Vendor (as defined in the circular dated 30 October 2012 despatched to the shareholders of the Company ("**Circular**")), pursuant to which the Vendor agreed to sell, and Ares Access agreed to purchase, the Sale Shares (as defined in the Circular) at a consideration of US$13,400,000 and all the transactions contemplated thereunder, a copy of which has been produced to the SGM marked "**A**" and signed by the chairman of the SGM for the purpose of identification, be and are hereby approved, ratified and confirmed; and

(b) the director(s) of the Company be and is/are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in their discretion consider necessary desirable or expedient to carry out and implement the Agreement and all the transactions contemplated thereunder into full effect."

By order of the Board
Ares Asia Limited
Junaidi YAP
Executive Director and Chief Executive Officer

Hong Kong, 30 October 2012

Notes:

1. Any shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

2. A form of proxy for use at the meeting is enclosed herewith.

3. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.

4. In order to be valid, the form of proxy must be duly lodged at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting (as the case may be).

5. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joints holding.

7. The votes at the abovementioned meeting will be taken by poll, unless otherwise permitted by the bye-laws of the Company.

As at the date of this notice, the Board of the Company comprises Mr. Adwin Haryanto SURYOHADIPROJO (Chairman), Mr. CHUA Chun Kay and Mr. Junaidi YAP (Chief Executive Officer) as executive directors of the Company and Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney as independent non-executive directors of the Company.