ARES ASIA
安 域 亞 洲

Ares Asia Limited
安域亞洲有限公司

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

Interim Report 2012/13

CONTENTS

CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

Adwin Haryanto SURYOHADIPROJO *(Chairman)*
CHUA Chun Kay
Junaidi YAP
LAM Pun Yuen, Frank[1]
NGAN Hing Hon[1]
YEUNG Kin Bond, Sydney[1]

[1] *Independent non-executive directors*

COMPANY SECRETARY

NG Wai Hung

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Bunaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1602, 16/F.
LHT Tower
31 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank

COMPANY WEBSITES

www.aresasialtd.com

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STOCK CODE

645

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

The board (the "Board") of directors (the "Directors") of Ares Asia Limited (the "Company") is pleased to present the interim report and unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative figures for the corresponding period in 2011 as follows:

		Six months ended 30 September	
	Notes	**2012** ***US$'000*** **Unaudited**	2011 *US$'000* Unaudited
Turnover	*6*	**10,995**	14,702
Cost of sales		**(11,251)**	(14,003)
Gross (loss) profit		**(256)**	699
Other income	*7*	**168**	192
Distribution costs		**(84)**	(107)
Administrative expenses		**(2,263)**	(558)
Restructuring costs	*8*	**(2,255)**	—
(Loss) profit before tax	*9*	**(4,690)**	226
Income tax expense	*10*	**—**	(25)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company		**(4,690)**	201
		US cents	*US cents*
(Loss) earnings per share — Basic and diluted	*12*	**(1.38)**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	30 September 2012 US$'000 Unaudited	31 March 2012 US$'000 Audited
Non-current assets			
Property, plant and equipment	13	**613**	581
Current assets			
Inventories		**1,624**	4,153
Trade receivables	14	**1,747**	3,318
Deposits, prepayments and other receivables		**233**	5,314
Convertible instrument designated as financial assets at fair value through profit or loss		**5,000**	—
Bank balances and cash		**23,744**	25,826
		32,348	38,611
Current liabilities			
Trade payables	15	**1,246**	1,208
Accruals and other payables		**1,191**	2,770
Tax payable		**48**	48
		2,485	4,026
Net current assets		**29,863**	34,585
Total assets less current liabilities		**30,476**	35,166
Capital and reserves			
Share capital	16	**440**	440
Reserves		**30,036**	34,726
Total equity		**30,476**	35,166

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital *US$'000* Unaudited	Contributed surplus *US$'000* Unaudited	Retained earnings *US$'000* Unaudited	Total equity *US$'000* Unaudited
At 1 April 2012	**440**	**15,088**	**19,638**	**35,166**
Total comprehensive expense for the period	**–**	**–**	**(4,690)**	**(4,690)**
At 30 September 2012	**440**	**15,088**	**14,948**	**30,476**

For the six months ended 30 September 2011

	Share capital *US$'000* Unaudited	Contributed surplus *US$'000* Unaudited	Retained earnings *US$'000* Unaudited	Total equity *US$'000* Unaudited
At 1 April 2011	440	15,088	21,181	36,709
Total comprehensive income for the period	–	–	201	201
At 30 September 2011	440	15,088	21,382	36,910

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30th September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(1,974)**	(960)
Net cash (used in) from investing activities	**(108)**	8
Net decrease in cash and cash equivalents	**(2,082)**	(952)
Cash and cash equivalents at 1 April	**25,826**	31,272
Cash and cash equivalents at 30 September, represented by bank balances and cash	**23,744**	30,320

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report. The parent and ultimate holding company is Star Crown Capital Ltd, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of footwear products.

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 ("Interim Financial Statements") are presented in United States dollar ("US$"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The Interim Financial Statements has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical costs basis, except for certain financial instruments, which are measured at fair values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The accounting policies used in the Interim Financial Statements are consistent with those used in the preparation of the Company's interim report for the six months ended 30 September 2011 and the annual report for the year ended 31 March 2012. The Interim Financial Statements should be read in conjunction with the Company's annual report for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Finance Reporting Standards ("HKFRSs") issued by the HKICPA.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of the above amendments to HKFRSs in current interim period has had no material effect on how the Interim Financial Statements of the Group are prepared and presented for the current or prior accounting periods.

4. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 March 2012.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

The critical estimates and assumptions applied in the preparation of this Interim Financial Statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2012.

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on gross invoiced sales of athletic and sports leisure footwear products, net of returns, discounts and sales related taxes.

(a) Segment revenues, results, assets and liabilities

The Group's operating segment based on information reported to the chief operating decision makers, who have been identified as the directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's revenues, results, assets and liabilities are primarily attributable to the sales of athletic and sports leisure footwear products. The directors of the Company consider that there is only one operating and reportable segment for the Group.

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The Group's revenues from external customers by geographical location of the customers are detailed as below:

	Revenues from external customers	
	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
The PRC	**10,793**	14,097
Asia (other than the PRC)	**202**	605
	10,995	14,702

7. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Bank interest income	**4**	7
Gain on disposal of property, plant and equipment	**2**	—
Others	**162**	185
	168	192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. RESTRUCTURING COSTS

	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Severance and termination costs	**1,955**	—
Allowance on inventories	**300**	—
	2,255	—

The restructuring costs in an aggregate amount of US$2,255,000, represented severance and termination costs of US$1,955,000 and allowance on inventories of US$300,000 associated with the restructuring of the Group's PRC manufacturing operation recognised during the six months ended 30 September 2012.

9. LOSS (PROFIT) BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Depreciation of property, plant and equipment	**78**	47
Cost of inventories recognised as expenses	**11,251**	14,003
Staff costs (including Directors' emoluments)	**3,784**	3,065
Net exchange loss	**2**	87

10. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Current tax — Hong Kong	**–**	25

No provision for Hong Kong Profits Tax had been provided as the Group has no assessable profit arising in Hong Kong for the six months ended 30 September 2012. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2011.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions in which the Group operates. No taxation had been provided for both periods as the Group has no assessable profits arising in or deriving from the relevant jurisdictions.

There is no other material unprovided deferred tax for both periods.

11. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LOSS (EARNINGS) PER SHARE

(a) *Basic*

Basic (loss) earnings per share is calculated by dividing the (loss) profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 September 2012 and 2011.

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
(Loss) profit for the period attributable to owners of the Company *(US$)*	**(4,690,000)**	201,000
Weighted average number of ordinary shares in issue	**340,616,934**	340,616,934
Basic (loss) earnings per share *(US$ cents)*	**(1.38)**	0.06

(b) *Diluted*

Diluted (loss) earnings per share was the same as the basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding for the current and prior periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US$110,000 (2011: US$9,000) on additions to property, plant and equipment for the six months ended 30 September 2012.

14. TRADE RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. Ageing analysis of the Group's trade receivables at the end of the reporting period presented based on the invoice date is as follows:

	30 September 2012	31 March 2012
	US$'000	*US$'000*
	Unaudited	Audited
Within 30 days	**1,035**	1,747
31 to 60 days	**674**	1,554
61 to 90 days	**34**	—
Over 90 days	**4**	17
	1,747	3,318

Included in the Group's trade receivables are debtors with aggregate carrying amount of US$38,000 (31 March 2012: US$150,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the sales are made with creditworthy customers and the amounts are still considered recoverable.

15. TRADE PAYABLES

Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date is as follows:

	30 September 2012 US$'000 Unaudited	31 March 2012 US$'000 Audited
Within 30 days	**560**	563
31 to 60 days	**595**	638
61 to 90 days	**91**	—
Over 90 days	**—**	7
	1,246	1,208

The credit period on purchases of goods ranges from 14 days to 90 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

16. SHARE CAPITAL

	Par value of shares HK$	Number of ordinary shares	Value US$'000
Authorised:			
At 31 March 2012, 1 April 2012 and 30 September 2012	0.01 each	36,000,000,000	46,452
Issued and fully paid:			
At 31 March 2012, 1 April 2012 and 30 September 2012	0.01 each	340,616,934	440

17. SHARE OPTIONS

The Company's share option scheme adopted on 30 August 2002 was expired on 29 August 2012 (the "Old Scheme").

At a special general meeting of the Company held on 21 September 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme"), pursuant to which the Directors may grant options to eligible persons (as defined under the New Scheme) to subscribe for shares in the Company in accordance with the terms of the New Scheme. The number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time. The maximum entitlement of each grantee in any 12-month period is limited to 1% of the ordinary shares in issue of the Company. The option period will not be more than ten years from the date of grant of the option and the Directors may at its discretion determine the minimum period for which the option has to be held or other restriction before the exercise of the subscription right attaching thereon.

Each share option under the New Scheme entitles the holder to subscribe for one share of HK$0.01 each in the Company at a price, which is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

17. SHARE OPTIONS *(Continued)*

As at 30 September 2012 and 30 September 2011, there was no outstanding share option under the New Scheme and the Old Scheme respectively. No share options have been granted under both Schemes.

18. OPERATING LEASE COMMITMENT

At 30 September 2012, the Group had commitment for future minimum lease payment under non-cancellable operating lease which will fall due as follows:

	30 September 2012 *US$'000* **Unaudited**	31 March 2012 *US$'000* Audited
Within one year	**307**	307
In second to fifth years, inclusive	**346**	499
	653	806

Operating lease payment represents rental payable by the Group for its office premise in Hong Kong. Lease is negotiated for a term of three years (31 March 2012: three years) with fixed rental. The operating lease contract contains market review clause in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 September	
	2012	2011
	US$'000	*US$'000*
	Unaudited	Unaudited
Short-term benefits	**993**	115
Post-employments benefits	**1**	2
	994	117

20. EVENT AFTER BALANCE SHEET DATE

Commencement of coal trading business

Reference is made to the Company's announcement dated 31 October 2012 (the "Announcement") regarding the development of new coal trading business. As disclosed in the Announcement, the Group successfully anchored certain coal suppliers from Indonesia and coal buyers from China on a long term basis. The Group's coal trading business has commenced in October 2012 starting with a monthly trading volume in the range of 50,000 to 180,000 metric tonnes. The coal trading business will become a new principal activity and revenue stream of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of operations

For the six months ended 30 September 2012, the Group's turnover decreased by 25.2% to US$11.0 million from US$14.7 million for the same period last year. Geographically, Asian countries were the primary market of the Group, contributing to 100% of the Group's turnover for the period under review. Loss for the period attributable to owners of the Company was US$4.7 million as compared with profit of US$0.2 million for the corresponding period last year.

Faced with increasing cost pressures and declining margins, the Group's manufacturing business in the PRC has been operating under a challenging business environment over the past few years. For the current interim period, our customers reduced orders as a result of weak global consumer demand. The combined effects of lower turnover and higher production costs resulted in a gross loss of US$0.3 million as compared to gross profit of US$0.7 million for the same period last year.

In response to the negative business environment and to mitigate the risk of overcapacity, the Group had taken pre-emptive steps to rationalise its manufacturing capacity and scale down underperforming divisions during the first half of the financial year 2012/2013. As a result, we incurred restructuring costs in an aggregate amount of US$2.3 million, which represented severance and termination costs of approximately US$2.0 million and allowance on inventories of US$0.3 million.

Other income was US$0.2 million for the period, similar to what was reported in the last corresponding period.

BUSINESS REVIEW *(Continued)*

Review of operations *(Continued)*

General and administrative expenses were US$2.3 million or 20.6% of sales, an increase from US$0.6 million or 0.4% of sales reported for the last corresponding period. This increase was mainly due to a rise in employee benefits expenses as well as the legal and professional fees incurred for the proposed acquisition of a mining services company in Indonesia.

Acquisition of a mining services company

On 24 September 2012, Ares Access Limited ("Ares Access"), an indirect wholly-owned subsidiary of the Company and PT Berau Coal Energy Tbk (the "Vendor"), a public limited liability company established under the laws of Indonesia, entered into a conditional sale and purchase agreement (the "Agreement") regarding the proposed acquisition of 99.96% equity interests of PT Mutiara Tanjung Lestari ("MTL"), a limited liability company established under the laws of Indonesia from the Vendor by Ares Access at the consideration of US$13.4 million (the "Acquisition"). As part of the Acquisition, Ares Access shall provide funding to MTL to repay the outstanding amount due from MTL to the Vendor (the "Outstanding Amount") upon completion of the Agreement (the "Completion") but in any event the Outstanding Amount shall not exceed the sum of US$5.5 million.

BUSINESS REVIEW *(Continued)*

Acquisition of a mining services company *(Continued)*

On the same date of the Agreement, Mr. Kasymir Zaldi ("Mr. Zaldi") (an existing shareholder of MTL holding one share of MTL) entered into an agreement for the purchase of 9,999 shares of MTL from the Vendor on 24 September 2012 (the "Zaldi Agreement"). The Zaldi Agreement is expected to complete at or about the same time as the completion of the Agreement. As such, MTL will be owned as to approximately 99.96% by Ares Access and approximately 0.04% by Mr. Zaldi upon completion of the Agreement and the Zaldi Agreement. In addition, Mr. Zaldi will issue to Ares Access a confirmation letter stating that the shares of MTL held by him from time to time are for the benefits of Ares Access and the books of MTL will be 100% consolidated into the consolidated financial statements of the Group after completion of the Agreement and the Zaldi Agreement.

MTL is engaged 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 robust economic growth as well as accelerated industrialisation and urbanisation in many developing countries, including Indonesia, China and India, we believe the demand for resources and mining will remain strong. Since coal is the key fuel in the energy mix of many developing countries, we consider that demand for Indonesian coal will maintain its growth momentum. The continued growth of Indonesia's coal mining industry may create opportunities for MTL and therefore we believe that MTL's business prospects are promising. Further details on the business and financial information of MTL have been set out in the Company's circular dated 30 October 2012.

The Acquisition is expected to be completed before 31 December 2012.

PROSPECT

Despite our ongoing efforts to streamline operations, the Group's manufacturing business will remain under pressure with the continuation of current trends of margin compression and lower order demand. Hence, we are expecting a significant decline in sales for the second half of the financial year 2012/2013 and we are not optimistic that the financial performance of the Group's manufacturing business will turn around in the near future.

In light of the above, we will suspend the Group's production in the PRC in order to reassess the business prospects of the Group's manufacturing business. This will also allow us to reallocate the Group's resources and focus on seeking more other business investment opportunities, so as to broaden and diversify the Group's business and revenue streams.

Following the completion of the Acquisition, which is expected to take place before 31 December 2012, the Group shall expand its principal activities to the provision of mining services in Indonesia. In addition, the Group has been negotiating with several coal miners in Indonesia in order to establish our coal trading business. As disclosed in the Company's announcement dated 31 October 2012, the Group successfully anchored certain coal suppliers from Indonesia and coal buyers from China on a long term basis and commenced its coal trading business since October 2012 starting with a monthly trading volume in the range of 50,000 to 180,000 metric tonnes. The coal trading business will also become a new principal activity and revenue stream of the Group.

PROSPECT *(Continued)*

We believe that the Acquisition and the new coal trading business will diversify the Group's business scope and contribute stable revenue and cash flows to the Group's financial position. We also anticipate that the new businesses will bring to the Group potential business or investment opportunities in Indonesia's resources and mining sector, and create further synergies for the Group's future development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources and liquidity continued to be healthy, remaining debt-free as at 30 September 2012. The reported cash and bank balances were US$23.7 million, as compared to US$25.8 million as at 31 March 2012. Other than the Acquisition, there are no present plans for material capital expenditures and the Group has adequate liquidity to meet its current and future working capital requirements.

Subscription of exchangeable bond

For the year ended 31 March 2012, a refundable security deposit of US$5 million (the "Security Deposit") was placed by the Group with PT Langit Timur Energy ("LTE"), a limited liability company established under the laws of Indonesia for the possible acquisition of certain equity interests in the coal concessions in West Papua, Indonesia.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Subscription of exchangeable bond *(Continued)*

On 30 May 2012, Able Point Corporation Limited ("Able Point"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with LTE to subscribe for a one-year zero coupon secured exchangeable bond (the "Bond") with a principal amount of US$5,000,000 issued by LTE on the shares ("Underlying Shares") of PT Mandiri Arya Persada ("MAP") (a limited liability company established under the laws of Indonesia which holds certain coal concessions in West Papua, Indonesia through its subsidiaries and is legally and beneficially owned as to 99.9% by LTE) owned by LTE, representing 5% (7.5% in case of the maturity date being extended for one year under mutual agreement by Able Point and LTE) of the total issued and paid-up capital of MAP on a fully diluted basis on the date of the exchange rights are being exercised. The Bond can be converted into the Underlying Shares during the full period of the term of the Bond.

The Security Deposit was used to offset against the consideration of the subscription.

The Bond was classified as convertible instrument designated as financial assets at fair value through profit or loss on the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Operating working capital

The Group follows a policy of prudence in managing its working capital. Trade receivables as at 30 September 2012 was US$1.7 million, as compared to US$3.3 million as at 31 March 2012. The average turnover days for both periods were around 50 days. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

As the Group is expecting a significant decline in sales for the second half of the financial year 2012/2013, the balance of inventories as at 30 September 2012 decreased to US$1.6 million from US$4.2 million as at 31 March 2012.

RISK OF CURRENCY FLUCTUATIONS

The Group currently operates in the PRC. A significant portion of the Group's sales, purchases of raw materials and overhead expenses are denominated mostly in US dollar (i.e. functional currency of the Group), Hong Kong dollar and Renminbi. Since the Hong Kong dollar is pegged to US dollar, the foreign exchange exposure between US dollar and HK dollar is therefore limited.

Renminbi experienced certain appreciation in recent years and further appreciation of US dollar against Renminbi will affect the Group's financial position and results of operation.

The Group 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 arises.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 30 September 2012, the interests and short positions of each of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Long position in shares of the Company

Name of Director	Number of shares held/interested		Percentage of issued share capital
CHUA Chun Kay ("Mr. CHUA")	209,707,416	*(Note)*	61.57%

Note:

The 209,707,416 shares in the Company are owned by Star Crown Capital Ltd ("Star Crown") and the entire issued share capital of Star Crown is owned by Mr. CHUA.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 30 September 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

The Company's share option scheme adopted on 30 August 2002 was expired on 29 August 2012 (the Old Scheme).

At a special general meeting of the Company held on 21 September 2012, the shareholders of the Company approved the adoption of a new share option scheme (the New Scheme), pursuant to which the Directors may grant options to eligible persons (as defined under the Scheme) to subscribe for shares in the Company in accordance with the terms of the New Scheme. The number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time. The maximum entitlement of each grantee in any 12-month period is limited to 1% of the ordinary shares in issue of the Company. The option period will not be more than ten years from the date of grant of the option and the Directors may at its discretion determine the minimum period for which the option has to be held or other restriction before the exercise of the subscription right attaching thereon.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

Each share option under the New Scheme entitles the holder to subscribe for one share of HK$0.01 each in the Company at a price, which is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

As at 30 September 2012 and 30 September 2011, there was no outstanding share options under the New Scheme and the Old Scheme respectively. No share options have been granted under both Schemes.

Save as disclosed above, at no time during the period was the Company or its subsidiary companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the Company had been notified of the following shareholders' interests who are interested in 5% or more of the issued share capital of the Company. The following interest has been disclosed in respect of the Director.

Long position in shares of the Company

Name	Number of ordinary shares held/interested	Percentage of issued share capital
Star Crown Capital Ltd	209,707,416	61.57%

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, the Group had a total of approximately 450 (2011: 1,300) full time employees (including contracted manufacturing workers) in Hong Kong and the PRC. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes and bonus on performance basis.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the "New CG Code") (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules, except for deviation from code provisions A.4.1 and A.6.7 of the New CG Code as explained below:

Code provision A.4.1 of the New CG Code

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the independent non-executive directors of the Company is appointed for specific term. This constitutes a deviation from code provision A.4.1. However, as all the independent non-executive directors of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Bye-laws, in the opinion of the Board, this meets the objective of the New CG Code.

CORPORATE GOVERNANCE *(Continued)*

Code provision A.6.7 of the New CG Code

Code provision A.6.7 stipulates, among others, that independent non-executive directors and other non-executive directors should attend general meetings. Due to another business engagement, Mr. Yeung Kin Bond, Sydney, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 21 September 2012.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

The changes in directorship and other changes in the information of the Directors, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the year ended 31 March 2012 are set out below:

Name of Directors	Details of change
Mr. Adwin Haryanto SURYOHADIPROJO	Appointed as executive Director and Chairman of the Company on 4 July 2012
Mr. CHUA Chun Kay	Resigned as Chairman but remained as executive Director on 4 July 2012
Me. David Michael GORMLEY	Retired as executive Director on 21 September 2012

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2012.

AUDIT COMMITTEE

The audit committee comprises all the three independent non-executive directors of the Company, namely Mr. Ngan Hing Hon, Mario (Chairman), Mr. Lam Pun Yuen, Frank and Mr. Yeung Kin Bond, Sydney. Its terms of reference are in compliance with the provisions set out in the New CG Code.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Interim Financial Statements for the six months ended 30 September 2012.

APPRECIATION

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

On behalf of the Board

Adwin Haryanto SURYOHADIPROJO
Chairman

30 November 2012