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

2016/2017 Interim Report

CONTENTS

CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

Executive Directors

Mr. ZHENG Yong Sheng
(Chairman and Chief Executive Officer)
Mr. RAN Dong

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. LEUNG Pui Ki

AUTHORISED REPRESENTATIVES

Mr. ZHENG Yong Sheng
Ms. LEUNG Pui Ki

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITOR

KPMG
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong Law
Michael Li & Co.

As to Bermuda Law
Codan Services Limited

PRINCIPAL BANKERS

Société Générale Corporate & Investment Banking
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITES

www.aresasialtd.com
www.irasia.com/listco/hk/aresasia

STOCK CODE

645

The board (the "Board") of directors (the "Directors") of Ares Asia Limited (the "Company") is pleased to present the interim report and unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016
(Expressed in United States dollars)

		Unaudited Six months ended 30 September	
		2016	2015
	Note	***$'000***	*$'000*
Revenue	*3*	**98,837**	9,189
Cost of sales		**(97,805)**	(9,114)
Gross profit		**1,032**	75
Other income	*4*	**2**	25
Selling expenses		**(73)**	(88)
Administrative expenses		**(911)**	(891)
Finance costs		**(388)**	—
Loss before taxation	*5*	**(338)**	(879)
Income tax	*6*	**—**	—
Loss and total comprehensive income for the period		**(338)**	(879)
Loss per share			
Basic and diluted	*8*	**(0.10) cent**	(0.26) cent

The notes on pages 7 to 17 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016
(Expressed in United States dollars)

	Note	**Unaudited At 30 September 2016 *$'000***	Audited At 31 March 2016 *$'000*
Non-current assets			
Property, plant and equipment		**33**	56
Prepayments	*9*	**—**	—
		33	56
Current assets			
Trade and other receivables	*9*	**62,001**	25,344
Cash and cash equivalents		**9,352**	9,046
		71,353	34,390
Current liabilities			
Trade and other payables	*10*	**10,831**	14,236
Discounted bills with recourse	*11*	**49,766**	9,083
		60,597	23,319
Net current assets		**10,756**	11,071
Net assets		**10,789**	11,127
Capital and reserves			
Share capital		**441**	441
Reserves		**10,348**	10,686
Total equity		**10,789**	11,127

The notes on pages 7 to 17 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016
(Expressed in United States dollars)

For the six months ended 30 September 2016

	Unaudited				
	Share Capital **$'000**	**Share premium account** **$'000**	**Contributed surplus** **$'000**	**Accumulated losses** **$'000**	**Total** **$'000**
Balance at 1 April 2016	**441**	**172**	**15,088**	**(4,574)**	**11,127**
Loss and total comprehensive income for the period	**—**	**—**	**—**	**(338)**	**(338)**
Balance at 30 September 2016	**441**	**172**	**15,088**	**(4,912)**	**10,789**

For the six months ended 30 September 2015

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

The notes on pages 7 to 17 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2016
(Expressed in United States dollars)

	Unaudited Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Operating activities		
(Increase)/decrease in trade and other receivables	**(36,657)**	27,336
Decrease in trade and other payables	**(3,405)**	(233)
Other cash flows used in operating activities	**(317)**	(863)
Net cash (used in)/generated from operating activities	**(40,379)**	26,240
Investing activities		
Proceeds from disposal of intangible asset	**—**	330
Other cash flows arising from investing activities	**2**	12
Net cash generated from investing activities	**2**	342
Financing activities		
Increase/(decrease) in discounted bills with recourse	**40,683**	(26,919)
Net cash generated from/(used in) financing activities	**40,683**	(26,919)
Net increase/(decrease) in cash and cash equivalents	**306**	(337)
Cash and cash equivalents at 1 April	**9,046**	12,531
Cash and cash equivalents at 30 September	**9,352**	12,194

The notes on pages 7 to 17 form part of this interim financial report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in United States dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 — "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 November 2016.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 annual financial statements. Details of any changes in accounting polices are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015/16 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 March 2016 that is included in the Interim Financial Statements as being previously reported information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 June 2016.

2 Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

— Annual Improvements to HKFRSs 2012-2014 Cycle

— Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 Revenue and segment reporting

(a) Revenue

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

(b) Segment reporting

The Group operates in a single business segment of coal trading business during the current and prior periods.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, and non-current portion of prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of non-current portion of prepayments.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2016	2015	**2016**	2016
	$'000	*$'000*	***$'000***	*$'000*
Mainland China	**98,837**	9,189	**—**	—
Hong Kong	**—**	—	**33**	56
	98,837	9,189	**33**	56

4 Other income

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Bank interest income	**2**	21
Net foreign exchange gain	**—**	2
Others	**—**	2
Total	**2**	25

5 Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Depreciation	**23**	37
Staff costs	**465**	466
Cost of inventories	**88,375**	9,114
Finance costs	**388**	—

6 Income tax expense

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	**—**	—

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the profit before taxation for the six months ended 30 September 2016 and 2015. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7 Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

8 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $338,000 (six months ended 30 September 2015: $879,000) and the weighted average of 342,116,934 ordinary shares (six months ended 30 September 2015: 342,116,934 ordinary shares) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 September 2016 and 2015 is the same as that of basic loss per share as there were no dilutive potential ordinary shares during the period.

9 Trade and other receivables

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

	At 30 September 2016 *$'000*	At 31 March 2016 *$'000*
Within 1 month	**28,294**	20,224
More than 1 month but within 3 months	**33,633**	5,036
Trade debtors and bills receivable	**61,927**	25,260
Prepayments and other receivables	**11,778**	11,788
Less: Impairment on prepayment and other receivables	**(11,704)**	(11,704)
	62,001	25,344

The credit terms offered to customers of coal trading business are negotiated on a case-by-case basis. Irrevocable letters of credit, up to a tenor of 170 days after the receipt of the required documents by nominated banks, are usually required not later than 14 days prior to the expected date of vessel's arrival at loading port as stipulated in the sales agreements.

Based on past experience, management believes that no impairment allowance is necessary in respect of trade debtors and bills receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 30 September 2016 and 31 March 2016.

9 Trade and other receivables *(Continued)*

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

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

9 Trade and other receivables *(Continued)*

As at 31 March 2016, the unutilised prepayments amounted to $11,565,000. The directors reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. Due to the continuing downturn of the coal market, the low demand of coal and hence minimal utilisation of the prepayments during that year, and the Group's efforts in negotiation with the Original Supplier and New Supplier for execution of the terms of the Agreements as amended by the Deed as well as demand for repayment which are in vain, the directors consider that there is significant uncertainty on the ability of the Group to recover the balance of the prepayments through either utilisation from future purchases or repayment of the prepayments. Accordingly, full impairment was made for the balance as at 31 March 2016.

10 Trade and other payables

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

	At 30 September 2016 *$'000*	At 31 March 2016 *$'000*
Within 1 month	**6,583**	13,193
More than 1 month but within 3 months	**3,444**	—
Trade creditors	**10,027**	13,193
Other creditors and accrued charges	**804**	1,043
	10,831	14,236

11 Discounted bills with recourse

Bills discounted with banks at an effective interest rate ranging from 1.42% to 1.88% (31 March 2016: 1.49% to 2.25%) per annum as at 30 September 2016 have maturity profiles of no more than 170 days.

12 Operating lease commitment

	At 30 September 2016 *$'000*	At 31 March 2016 *$'000*
Within 1 year	**374**	374
After 1 year but within 5 years	**20**	208
	394	582

The Group is the lessee in respect of its office premise held under operating lease from a fellow subsidiary. The lease runs for an initial period of three years with options to renew the lease when all terms are renegotiated. The lease does not include contingent rentals.

13 Contingent liabilities

The Group ceased the operation of its footwear business in January 2013. Further, as disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement ("the agreement") with Landway Investments Limited ("Landway"), a company wholly-owned by a director of Brave Win Industries Limited ("Brave Win") to dispose of (i) 1 share of Brave Win, representing 0.0000033% of the total issued share capital of Brave Win; (ii) the 1,000 shares of China Compass Investments Limited ("China Compass"), representing the entire issued share capital of China Compass; and (iii) the unsecured and interest free shareholder's loan in the principal amount of approximately $1,579,000 owed by China Compass to the Company, at a consideration of $3,200,000 ("the Disposal"). The Disposal was completed on 10 April 2014. The directors reviewed the representations and warranties provided by the Company to Landway as set out in the agreement and based on the review and professional advice obtained, it was considered that there was no breach of any of the representations and warranties.

On 23 March 2016, Landway filed a claim against the Company, which alleged that a former director of the Company made certain misrepresentations in the Disposal and filed a claim of $700,000 plus interest against the Company in the High Court of Hong Kong. The Company filed its defence on 24 May 2016 which denied the allegations made by Landway.

On 7 September 2016, the Company issued a summons applying to strike out Landway's claim. The strike out application has been fixed to be heard by the High Court on 13 March 2017.

Based on the opinion from the Company's legal advisor, the legal proceedings are still at a very early stage. Whilst it is too early to assess the outcome of the litigation, the Company has been advised that the allegations made by Landway are vague and unparticularised, and therefore the Company will strenuously defend the claim. Based on latest available information, the directors of the Company are of the opinion that no provision in respect of the said claim is required to be made.

14 Material related party transactions

(a) Compensation of key management personnel

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

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Salaries and other short-term employee benefits	**155**	155
Retirement scheme contributions	**1**	1
	156	156

(b) Transaction with fellow subsidiary

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Rental expenses, building management fee and utility charges	**193**	198

REVIEW OF OPERATIONS

The Group continues to operate its coal trading business during the six-month period from April 2016 to September 2016. The performance has improved significantly with revenue of US$98.84 million, representing a year-on-year increase of 976% or US$89.65 million. During the reporting period, the Group sold thermal and coking coals originated from Indonesia and Australia to China, with a total volume of approximately 2.18 million metric tonnes ("MT") as compared to approximately 98 thousand MT in the corresponding period of last year.

Selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US$0.98 million for the current period, which is comparable to US$0.98 million in the corresponding reporting period of last year. Finance costs incurred during the period arose from the bills discounted as a result of the increase in trade volume.

Loss before taxation was approximately US$0.34 million for the six-month period ended 30 September 2016 as compared to a loss of US$0.88 million for the corresponding reporting period of last year. Loss before taxation of this reporting period reduced by US$0.54 million. The decrease was the reflection of the recovering coal trading business.

An impairment loss on unutilised prepayments and other receivables of approximately US$11,704,000 was recognised during the year ended 31 March 2016 in connection with coal sale and purchase agreements. The Group restructured the rights and obligations under those coal supply and purchase agreements, through a series of contracts signed and exchanged on 12 December 2016 with the relevant parties. The effect of the new contracts is for the original supplier to agree to a coal supply arrangement for an anticipated term of approximately five years, for purchases of coal on such terms as may from time to time be agreed by the Group. Approximately US$140,000 are to be repaid to the Group within 90 days of the date of the new contracts, and the remainder of the unutilised prepayments are to be utilised on an agreed basis against each purchase with an annual minimum (of application of prepayment towards purchases or cash payment to the Group) of US$2 million. Accordingly a reversal of the impairment loss reported during the year ended 31 March 2016 will be credited to the profit and loss account of the Group to the extent of the amount of prepayments utilised and other receivables repaid during the period.

PROSPECT

During the first half of 2016, the global economic environment is still complicated and the world economy has not recovered as expected. Nevertheless, the PRC government implemented policies to expedite to dissolve overcapacity of coal and to promote the supply-side structural reform. As a result, the coal price gradually recovered. Despite all these challenges, the Group managed to achieve a record in coal trading volume of 2.18 million metric tonnes in the six months ended 30 September 2016.

Looking ahead, it is expected to be another challenging year due to the supply and demand situation in the coal market because of the lower demand of thermal coal with the oversupply from domestic and foreign producers. However, the PRC government has indicated that it will continue to promote the supply-side structural reform and resolve the excess capacity of the coal industry. The implementation of such efforts is expected to which shall gradually alleviate the pressure of coal industry decline.

The Group will continue to work to secure the supply of quality thermal coal originated from the top coal mines in Indonesia at a competitive price, to enable the Group to maintain the marginal contribution and minimize the adverse impact of the market price fluctuation. We will further develop our customer base. To mitigate the impact from coal demand imbalance, the Group will further explore new customers by allocating marketable types of coal according to the differentiated requirements of customers.

The Group will continue to review the strategic directions and maintain its operational steadiness for curbing the loss and alleviating operational pressure with a view to enhance its future development.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2016, cash on hand and at banks for the Group amounted to approximately US$9.35 million as compared to US$9.05 million as at 31 March 2016. The increase in cash was primarily the result of the trade receipts as at September 2016.

As at 30 September 2016, the Group had discounted bills with recourse amounting to US$49.77 million as compared to US$9.08 million as at 31 March 2016. The increase was due to that all bills receivable discounted, with recourse, for matching the working capital requirement arising from the Group's trading activities had tenors ranging from 90 days to 170 days, which has not been matured nor settled by corresponding letters of credit as at 30 September 2016.

As at 30 September 2016, the gearing ratio, being net debt (total borrowings less cash on hand and at banks) to net assets attributable to owners of the Group was 375% (31 March 2016: approximately 0.33%).

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal trading business, irrevocable letters of credit up to a tenor of 170 days by reputable banks are usually required not later than 14 days prior to the expected date of vessels' arrival at loading port. So far, the Group has not experienced any bad debts from its coal trading business.

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

RISK OF CURRENCY FLUCTUATIONS

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

There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. Currently, the Group has no hedging arrangement for foreign currencies and has not entered into any financial derivatives arrangement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: Nil).

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from the Directors, there has no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules") subsequent to the date of the Company's 2015/16 annual report.

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

As at 30 September 2016, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Share Option Scheme") was adopted on 21 September 2012 (the "Date of Adoption"). The Share Option Scheme will remain in force for a period of 10 years commencing from the Date of Adoption (that is from 21 September 2012 to 20 September 2022). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants (including any executive directors, non-executive directors and independent non-executive directors, employees of the Group and any other persons who the Board considers, in its sole discretion, to have contributed to the Group) to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. The purpose of the Share Option Scheme is to provide eligible participants with an opportunity to acquire proprietary interests in the Company, which the Directors believe would help the Company to attract and retain high caliber personnel who have made contributions to the success of the Company, and would also help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The number of share options which may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "Option Scheme Limit"). The maximum number of unexercised share options under the Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company at any time. The maximum number of options issued to each participant under the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of the limit is subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting. Any grant of options to a connected person (as defined in the Listing Rules) must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee). Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

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

The exercise price must be at least the higher of: (a) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately preceding the date of grant; and (c) the nominal value of the Company's shares.

A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option. The acceptance of an offer of the grant of the option must be made within 15 days from the date of grant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee of the option, which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant of the option. The Directors may at their sole discretion determine the minimum period for which the option has to be held or other restrictions before the exercise of the option.

There was no outstanding share option under the Share Option Scheme as at 1 April 2016 and 30 September 2016 respectively.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" above and "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the period under review was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the

Company or any of its associated corporations as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 September 2016, to the best knowledge of the Directors, the following persons/corporations (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO:

Long position in shares of the Company

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

Note:

Reignwood is wholly-owned by Dr. Chanchai RUAYRUNGRUANG.

Save as disclosed above, as at 30 September 2016, no person, including the Directors and chief executive of the Company, had interest or short position in the shares, underlying shares and debentures of the Company which was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2016, the Group had a total of 8 (31 March 2016: 9) full time employees in Hong Kong. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual's and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include share option scheme, provident fund schemes and bonus on performance basis.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions (the "Code Provision(s)") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2016, except for the deviations from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. ZHENG Yong Sheng ("Mr. ZHENG") is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. ZHENG and believes that his holding of the positions of the chairman of the Board and chief executive officer of the Company is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All the members of the Board have confirmed that, following specific enquiries made by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2016.

By Order of the Board
ARES ASIA LIMITED
ZHENG Yong Sheng
Chairman

Hong Kong, 30 November 2016