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

ANNUAL REPORT

2013/2014

CONTENTS

CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

Executive Directors

Mr. Junaidi YAP *(Chief Executive Officer)*
Mr. RAN Dong
Mr. CHAN Tsang Mo

Independent Non-executive Directors

Mr. CHANG Tseng Hsi, Jesse *(Acting Chairman)*
Mr. NGAN Hing Hon
Mr. YEUNG Kin Bond, Sydney

COMPANY SECRETARY

Ms. LAM Wai Yee, Sophie

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M 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

KPMG
Certified Public Accountants

LEGAL ADVISER

As to Bermuda Law
Conyers, Dill & Pearman

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Societe Generale Corporate and Investment Banking
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITES

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

STOCK CODE

645

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Ares Asia Limited (the "Company"), I am pleased to present the annual report of the Company together with its subsidiaries (the "Group") for the year ended 31 March 2014.

On 29 April 2014, Mr. CHUA Chun Kay, the former major shareholder of the Company, disposed of 182,458,061 shares, representing approximately 53.57% of the then total issued share capital of the Company, to Reignwood International Holdings Company Limited ("Reignwood"). After the general offer was closed on 27 June 2014, taking into account the valid acceptance in respect of offer shares under the general offer, Reignwood held 182,459,527 shares (representing approximately 53.57% of the total issued share capital of the Company) and became the major shareholder of the Company.

Reignwood intends to continue the Group's principal business of coal trading and at the same time continue to review the strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

In addition, further to the Group's discontinuation of its footwear manufacturing business (the "Manufacturing Business") during the year ended 31 March 2013, the Company disposed of its entire interests in its wholly owned subsidiaries, China Compass Investments Limited and Brave Win Industries Limited, which was previously engaged in the Manufacturing Business, pursuant to a sale and purchase agreement dated 26 February 2014. With the disposal completed on 10 April 2014, the Company concluded the cessation of its legacy business and continued to focus on its coal trading operation.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, business partners, customers and management and staff for their continuous support and valuable contributions to the Group.

CHANG Tseng Hsi, Jesse
Acting Chairman

Hong Kong, 30 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to focus on its coal trading business during the year ended 31 March 2014 and its results is presented as Continuing Operation in the consolidated financial statements.

During the year ended 31 March 2014, the footwear manufacturing business, the operation of which was discontinued during the year ended 31 March 2013, incurred various miscellaneous office overheads and legal and professional fees relating to the disposal of the Company's wholly-owned subsidiaries, China Compass Investments Limited ("CCIL") and Brave Win Industries Limited ("BWIL"). Further details on this disposal are set out in the section "Review of operations – Discontinued operation" below. The results for the discontinued footwear manufacturing business is continued to be reported separately as Discontinued Operation in the consolidated financial statements.

Overall, the Group's turnover for the year ended 31 March 2014, which was solely generated from its coal trading business, increased to US$109.02 million as compared with US$57.75 million for the year ended 31 March 2013, which comprised of US$44.64 million contributed from the Continuing Operation and US$13.11 million pertaining to the Discontinued Operation.

Loss for the year ended 31 March 2014 was US$8.16 million, which was made up of US$0.33 million of profit from the coal trading business, US$0.53 million of loss from the Discontinued Operation, US$1.95 million of corporate overhead expenses and US$6.01 million of fair value loss on the Exchangeable Bond. In comparison, the loss for the year ended 31 March 2013 was US$4.26 million, representing US$0.03 million of loss from the coal trading business, US$3.71 million of loss from the Discontinued Operation, US$1.53 million of corporate overhead expenses and US$1.01 million of fair value gain on the Exchangeable Bond.

REVIEW OF OPERATIONS

- **Continuing operation**

  The performance of our coal trading business continued to grow with turnover of US$109.02 million. This represented a 144% increase comparing with turnover of US$44.64 million for the year ended 31 March 2013 (i.e. six months of operation as the coal trading business was launched in October 2012).

  The increase in gross profit of US$1.76 million for the year under review as compared with prior year of US$0.84 million is primarily the result of the full year effect of the coal trading business.

  During the year ended 31 March 2014, the Group continued to sell thermal coals originated from Indonesia and Australia to China with a total volume of approximately 1.64 million metric tonnes ("MT") as compared with approximately 0.94 million MT in prior year. The Group sold a larger proportion of higher calorific value coal, which commanded a higher unit price per metric ton, during the year under review as compared with prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS *(Continued)*

- **Continuing operation** *(Continued)*

  Selling, distribution and administrative expenses consisted primarily of employee benefits costs, rental and corporate expenses which amounted to US$3.39 million for the current year as compared with US$2.63 million in last year. The increase was a reflection of the launch of our coal trading business in October 2012, which was the beginning of the second half of the previous financial year, and the full year effect of the coal trading business for the current year.

  Loss from Continuing Operation was approximately US$7.64 million for the year ended 31 March 2014 as compared with US$0.55 million in prior year. If excluding the fair value loss of US$6.01 million in the Exchangeable Bond (which is further discussed in the section "Exchangeable Bond" below), loss from Continuing Operation for the year would be US$1.62 million, comparing with US$1.56 million for prior year, after excluding the fair value gain of US$1.01 million on the Exchangeable Bond recorded in prior year.

- **Discontinued operation**

  The Group's footwear manufacturing business was discontinued in January 2013. The loss from Discontinued Operation of US$0.53 million comprised of miscellaneous office overheads and legal and professional fees relating to the disposal of the Company's wholly-owned subsidiaries, CCIL and BWIL.

  Pursuant to a sale and purchase agreement dated 26 February 2014, the Company disposed of its entire interests in its wholly-owned subsidiaries, CCIL and BWIL, and the shareholder's loan in the principal amount of approximately US$1.58 million owing by CCIL to the Company, for a consideration of US$3.20 million. The disposal was completed on 10 April 2014 and signified the conclusion of the Company's cessation of its legacy business.

PROSPECT

Moving forward, coal will continue to be the most economical source of energy in Asia, in particular in China. In 2013, more than 70% of power plants in China used coals as their source of energy and these power plants consumed approximately 3.6 billion MT of coals of which more than 320 million MT were imported. In the same year, Indonesia exported more than 100 million MT of coals to China.

The year of 2013 is a challenging year for the coal industry globally due to China's slower economic growth which contributed to the slump in the coal price. We expect in 2014 the sluggishness of the coal price will persist fuelled mainly by the oversupply of coal globally and higher than expected water level in China's hydro power plants. Despite the negative headlines on coal prices, we believe that these will not significantly curtail demand and consumption of coal in China as there is lack of alternative energy supply to replace coals as the main source of energy for the power plants.

We will further expand our overseas supplier network and develop both our customer base and geographic business coverage to include Southeast Asia and North Asia.

PROSPECT *(Continued)*

And as part of the ongoing strategy to expand and grow the scale of our coal trading business, the Group entered into long term coal sale and purchase agreements in November 2013 and supplemental agreements in February 2014 (the "Agreements") with a marketing agent of certain top coal miners in Indonesia to secure the supply of quality thermal coal for the period from March 2014 to December 2016 at competitive pricing.

As stipulated in the Agreements, the Group paid prepayments of US$13.00 million to the marketing agent during the year ended 31 March 2014. The prepayments will be utilized through deducting a pre-agreed amount per metric ton of coal to be delivered to the Group. As such, the Group has an increase in prepayments and a corresponding decrease in cash and cash equivalents as at 31 March 2014 as compared with 31 March 2013.

The entering into of the Agreements will enable the Group to secure stable supply of thermal coal originated from Indonesia's top coal mines and the competitive pricing will enhance the profitability of the Group's coal trading business.

EXCHANGEABLE BOND

On 30 May 2012, Able Point Corporation Limited ("Able Point"), an indirectly wholly-owned subsidiary of the Company, subscribed a one-year zero coupon secured exchangeable bond ("Exchangeable Bond") with a principal amount of US$5,000,000 issued by PT Langit Timur Energy ("LTE"). The Exchangeable Bond could be converted to 5%, which has been increased to 70% pursuant to the supplemental agreement entered into between Able Point and LTE in March 2013, of the shares of the total issued and paid up capital of PT Mandiri Arya Persada ("MAP", a non-wholly owned subsidiary of LTE who holds certain coal concessions in Indonesia) on a fully diluted basis. The maturity date of the Exchangeable Bond was extended to 29 May 2014.

As disclosed in the Company's interim report for the six months ended 30 September 2013, based on the development on the project, the proven reserves of MAP's coal concessions are not commercially justifiable to sustain the continuing coal operations in Indonesia. In addition, subsequent to the year ended 31 March 2014, LTE has notified Able Point that it was unable to redeem the Exchangeable Bond on its maturity and instead proposed to Able Point that it would repay the principal amount of the Exchangeable Bond and the accrued interest by way of Able Point converting the Exchangeable Bond into the shares in MAP. The Group has decided not to exercise the conversion rights under the Exchangeable Bond after due and careful consideration.

To reflect the uncertainty surrounding the recovery of the Group's investment in the Exchangeable Bond, the directors of the Company considered that the fair value of the Exchangeable Bond was nil and a fair value loss of US$6,014,000 was recorded during the year ended 31 March 2014.

The Group is continuing with its assessment on various options in order to recover the Group's investment loss in the Exchangeable Bond.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group remained debt-free as at 31 March 2014 and has net current assets of US$13.51 million as at 31 March 2014 with cash on hand and at banks amounting to approximately US$9.36 million as compared to US$25.05 million as at 31 March 2013. The reduction in cash is primarily the result of the prepayments relating to the long term coal sale and purchase agreements discussed in the above section "Prospect". Upon the completion of the disposal of CCIL and BWIL subsequent to the year ended 31 March 2014, the Group received US$3.20 million, being the consideration for the disposal.

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal trading business, the trade receivables from customers are usually covered by letters of credit which are arranged by reputable banks 2 days after the date of the sale and purchase agreements. The outstanding trade receivables and trade payables as at 31 March 2014 will be settled by way of letters of credit and be converted to bills receivable and discounted bills with recourse, respectively, upon clearing of underlying documentation by the banks concerned. The Group has not experienced any bad debts from its coal trading business in the past.

The Group generally relied on its internally generated cash flows and the existing trade facilities to finance its day to day operations. There are no present plans 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 both the Continuing Operation and Discontinued Operation are mainly denominated in Hong Kong Dollars, United States Dollars (i.e. functional currency of the Company and its subsidiaries) and Renminbi.

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.

DIRECTORS' REPORT

The board of directors (the "Directors") of the Company (the "Board") is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the business of coal trading, entailing the selling of thermal coal purchased from Australia and Indonesia to the People's Republic of China. The Group commenced coal trading in October 2012. Prior to this, the Group's major business was the manufacture of footwear but, as disclosed in the Company's annual report for the year ended 31 March 2013, due to a decrease in sales and rising production costs, the Group ceased its footwear manufacturing business in January 2013. An analysis of the Group's performance by operating segments is set out in note 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 32 of this annual report.

The Directors do not recommend the payment of any dividend during the year.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company to be held on Monday, 8 September 2014, the register of members of the Company will be closed from Tuesday, 2 September 2014 to Monday, 8 September 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East Hong Kong for registration no later than 4:30 p.m. on Monday, 1 September 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances as provided in the Act. The reserve of the Company available for distribution to shareholders as calculated under the Act as at 31 March 2014 amounted to US$22,564,000 (2013: US$29,935,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 35 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda in respect of the Company's share capital.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92 of this annual report.

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 year ended 31 March 2014.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive Directors:

Mr. Adwin Haryanto SURYOHADIPROJO (acted as Chairman and executive Director up to 13 February 2014)
Mr. CHUA Chun Kay (appointed as Chairman on 26 February 2014 and resigned as Chairman and executive Director with effect from the close of the Offers (as defined in the section headed "Change of Controlling Shareholder and Unconditional Mandatory Cash Offers" below) at 4:00 p.m. on 27 June 2014)
Mr. ZHENG Yong Sheng *(Designated Chairman)* (appointment as executive Director and Chairman effective from 29 July 2014)
Mr. Junaidi YAP *(Chief Executive Officer)*
Mr. RAN Dong (appointed on 9 June 2014)
Mr. CHAN Tsang Mo (appointed on 9 June 2014)

DIRECTORS' REPORT

DIRECTORS *(Continued)*

Independent non-executive Directors:

Mr. CHANG Tseng Hsi, Jesse *(Acting Chairman)* (appointed as independent non-executive Director on 9 June 2014 and as Acting Chairman for the period from the close of the Offers at 4:00 p.m. on 27 June 2014 to 28 July 2014)
Mr. LAM Pun Yuen, Frank (resigned on 27 June 2014)
Mr. NGAN Hing Hon
Mr. YEUNG Kin Bond, Sydney

In accordance with Bye-Law 86(2) of the Company's Bye-laws, Messrs. ZHENG Yong Sheng, RAN Dong, CHAN Tsang Mo and CHANG Tseng Hsi, Jesse will hold office until the AGM and, being eligible, offer themselves for re-election at the AGM.

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Junaidi YAP, NGAN Hing Hon and YEUNG Kin Bond, Sydney, will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Group are set out in the "Biographical Details of Directors and Senior Management" section on pages 17 to 19 of this annual report.

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

Mr. YEUNG Kin Bond, Sydney, the independent non-executive Director, has been appointed as an independent director of China Gaoxian Fibre Fabric Holdings Ltd (listed on the Singapore Stock Exchange) in September 2013, a director of Global Initiatives Communications Pte Ltd. in June 2013, a director of Maiplay Pte Ltd. in August 2013 and a non-executive and non-independent director of Giken Sakata (S) Ltd. (listed on the Singapore Stock Exchange) in November 2013.

DIRECTORS' EMOLUMENTS

The Directors' emoluments for the year ended 31 March 2014 are set out in note 8 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the section "Related Party Transactions" in note 26 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of independence, and the Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme (the "Old Scheme") adopted on 30 August 2002 was expired on 29 August 2012. No share option has been granted under the Old Scheme since its date of adoption.

At the special general meeting of the Company held on 21 September 2012, the shareholders of the Company passed a resolution for the adoption of a new share option scheme (the "Share Option Scheme") under which the Directors may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. The detailed disclosures relating to the Share Option Scheme and valuation of options are set out in note 21 to the consolidated financial statements.

Details of share options granted to a Director under the Share Option Scheme and outstanding share options at the end of the year were as follows:

Name of Director	**Grant Date**	**Exercisable Period**	**Exercise price per share** *(HK$)*	**Number of share options granted and as at 31 March 2014**
Mr. Junaidi YAP	25 October 2012	25 October 2012 – 23 October 2015	0.63	1,500,000

The vesting period of the share options granted is determined by Directors at each time when the options are granted. The aforesaid shares options are beneficially owned by the Director concerned and are vested at the date of grant. The closing price of the Company's shares on 25 October 2012, the date of grant was HK$0.63.

As at 31 March 2014, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,500,000, representing approximately 0.44% of the shares of the Company in issue. No share option was exercised, lapsed or cancelled during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiary companies a party to any arrangement to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity	Number of shares held/ interested	Approximate percentage of issued share capital
Mr. CHUA Chun Kay ("Mr. CHUA")	Beneficial owner and interest of a controlled company *(Note)*	182,458,061	53.57%

Note:

The 182,458,061 shares in the Company were owned by Star Crown Capital Ltd ("Star Crown") and the entire issued share capital of Star Crown was owned by Mr. CHUA.

(ii) Interest in underlying shares

A Director has been granted options under the Share Option Scheme, details of which are set out in the "Share Option Scheme" section above.

Save as disclosed above, as at 31 March 2014, none of the Directors, chief executives of the Company nor their associates had or was deemed to have any interest 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 has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, the following substantial shareholder of the Company, other than the Directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, has been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long position in shares of the Company

Name	Capacity	Number of shares held/interested	Approximate percentage of issued share capital
Star Crown Capital Ltd	Corporate	182,458,061 *(Note)*	53.57%

Note:

Such interests have been disclosed as interests of Mr. CHUA Chun Kay in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 31 March 2014, no person, other than the directors or chief executives of the Company, whose interests are set out in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed in this annual report pursuant to Rule 13.51B(1) of the Listing Rules.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

A summary of the related party transactions entered into by the Group during the year is disclosed in Note 26 to the financial statements.

Pursuant to Chapter 14A of the Listing Rule, the Group has the following connected transaction during the year.

On 26 February 2014, the Company and Landway Investments Limited (the "Purchaser"), a company wholly owned by Mr. LEE Chi Keung, Russell ("Mr. LEE"), entered into a sale and purchase agreement (the "Agreement"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire (i) 1 share of Brave Win Industries Limited ("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", together with Brave Win, collectively the "China Compass Group"), representing the entire issued share capital of China Compass; and (iii) the unsecured and interest free shareholder's loan in the principal amount of US$1,578,767 (equivalent to approximately HK$12.283 million) owed by China Compass to the Company (the "Disposal").

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION *(Continued)*

Mr. LEE, being a director of Brave Win, the then wholly-owned subsidiary of the Company, was a connected person of the Company for the purpose of the Listing Rules. The Purchaser, being wholly owned by and therefore an associate of Mr. LEE, is also a connected person of the Company. Accordingly, the Disposal constitutes a discloseable and connected transaction on the part of the Company under Chapter 14 and 14A of the Listing Rules. The Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Agreement was approved by the Company's independent shareholders (i.e. other than those Company's shareholders who have a material interest (as defined in the Listing Rules) in the Disposal) at a special general meeting of the Company held on 10 April 2014.

Upon completion of the Agreement, the Company ceased to hold any interest in any of the members of the China Compass Group, all members of which ceased to be subsidiaries of the Company. The financial results of the China Compass Group will not be consolidated into the consolidated financial statements of the Group.

CHANGE OF CONTROLLING SHAREHOLDER AND UNCONDITIONAL MANDATORY CASH OFFERS

On 29 April 2014 , Reignwood International Holdings Company Limited ("Reignwood" or the "Offeror") and Star Crown Capital Ltd ("Star Crown"), a company directly owned and beneficially wholly owned by Mr. CHUA Chun Kay, the then executive Director and Chairman of the Board, entered into a sale and purchase agreement (the "S&P Agreement") in respect of the acquisition by Reignwood of the 182,458,061 Shares ("Shares") in the capital of the Company for a total cash consideration of HK$127,720,642.70 (being HK$0.70 per Sale Share). Such Shares represented 53.57% of the then issued share capital of the Company. Upon completion of the S&P Agreement on 29 April 2014 (the "Completion"), Reignwood has become the holder of 182,458,061 Shares, and thus became a controlling shareholder of the Company.

Immediately following the Completion, Bridge Partners Capital Limited had made unconditional mandatory cash offers (the "Offers") on behalf of Reignwood to acquire all the issued Shares (the "Offer Shares") (other than those already owned by Reignwood and parties acting in concert with them)(the "Share Offer") and to cancel all outstanding share options granted by the Company pursuant to its share option scheme (the "Option Offer") in accordance with the Hong Kong Code on Takeovers and Mergers.

The Offers was closed at 4:00 p.m. on 27 June 2014, being the latest time and date for acceptance of the Offers, (i) the Offeror has received valid acceptances in respect of 1,466 Offer Shares under the Share Offer (representing approximately 0.0004% of the issued share capital of the Company as at 27 June 2014) ; and (ii) there has been no acceptance received under the Option Offer.

DIRECTORS' REPORT

CHANGE OF CONTROLLING SHAREHOLDER AND UNCONDITIONAL MANDATORY CASH OFFERS *(Continued)*

As at 27 June 2014, taking into account the valid acceptances in respect of 1,466 Offer Shares under the Share Offer (subject to completion of the transfer of those Shares to the Offeror), (i) the Offeror and parties acting in concert with it were interested in an aggregate of 182,459,527 Shares immediately at the close of the Share Offer, representing approximately 53.57% of the issued share capital of the Company; and (ii) approximately 46.43% of the issued share capital of the Company with voting rights remained to be held by the public (within the meanings of the Listing Rules).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	45%
— five largest suppliers combined	100%

Sales

— the largest customer	49%
— five largest customers combined	100%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had a total of 13 (2013: 15) full time employees in Hong Kong. The Group's emolument policy is to pay salaries and wages 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 share option scheme, provident fund schemes, discretionary bonus on performance basis and medical insurance.

The remuneration committee under the Board reviews the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regards to the Group's operating results, individual performance and comparable market standards.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, throughout the year ended 31 March 2014 until the date of this report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

POST BALANCE SHEET EVENTS

The material post balance sheet events is disclosed in note 28 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 20 to 29 of this annual report.

AUDITOR

KPMG were first appointed as auditors of the Company for the year ended 31 March 2013 upon the resignation of SHINEWING (HK) CPA Limited.

The financial statements of the Group for the year ended 31 March 2014 have been audited by KPMG who will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution to renew the appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
CHANG Tseng Hsi, Jesse
Acting Chairman

Hong Kong, 30 June 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. ZHENG Yong Sheng, aged 43, holds a master degree in Accounting from Macquarie University in Australia and a master degree of Business Administration in Finance from the University of Lincoln in the United Kingdom. He is a member of each of the Hong Kong Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Public Accountants. Mr. ZHENG possesses extensive experience in auditing and business consulting from various international accountancy firms. The appointment of Mr. ZHENG as the executive Director and Chairman will be effective from 29 July 2014.

Mr. Junaidi YAP, aged 45, is the Chief Executive Officer of the Group and the executive Director. He has over 20 years of experience in finance and investment banking industry. He started his career at the Corporate Finance team at KPMG Hong Kong, and subsequently became Director at Citigroup Hong Kong, and Executive Director and Head of Debt Capital Markets for Indonesia at J.P. Morgan Hong Kong. He has worked closely with major Indonesian coal mining companies to manage their capital raising and financing exercises. Mr. YAP graduated with a Bachelor of Business degree in Accounting from Monash University, Australia. He joined the Company as the executive Director in 2012.

Mr. RAN Dong, aged 33, is currently the finance manager of Reignwood Group in the PRC. Reignwood Group is a group beneficially owned by Mr. Chanchai RUAYRUNGRUANG who, in turn, owns the entire issued share capital of Reignwood International Holdings Company Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") since 27 June 2014. Mr. RAN graduated from Tianjin University in the PRC with a bachelor's degree in economic law & financial management. He is the registered member of The Chinese Institute of Certified Public Accountants. Mr. RAN has experience in financial management and reporting. He joined the Company as the executive Director on 9 June 2014.

Mr. CHAN Tsang Mo, aged 29, is currently the accounting manager of the Reignwood Group (as defined above) in Hong Kong. Mr. CHAN holds a bachelor's degree in business administration of City University of Hong Kong and is a member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Reignwood Group, Mr. CHAN had worked for international audit firms and financial advisory companies. He has experience in auditing, financial management and treasury activities. He joined the Company as the executive Director on 9 June 2014.

DIRECTORS *(Continued)*

Independent Non-executive Directors

Mr. CHANG Tseng Hsi, Jesse, aged 59, is currently the Managing Partner of TransAsia Lawyers, a law firm licensed in the PRC and is also an arbitrator of Shanghai International Economic and Trade Arbitration Commission. Mr. CHANG graduated with a bachelor of laws degree and a bachelor of economics degree from The Australian National University and a master of laws degree from the Columbia University in New York. He has extensive experience in advising clients to implement market entry structures in highly regulated sectors in the PRC, such as aviation, media and IT. He has also been involved in corporate restructurings, mergers and acquisitions of numerous multinational companies particularly in industries related to media, IT as well as minerals and resources. He joined the Company as the independent non-executive Director on 9 June 2014 and acted as the acting Chairman for the period from the close of the Offers (as defined in the Director's Report on page 14 of this annual report) at 4:00 p.m. on 27 June 2014 to 28 July 2014.

Mr. NGAN Hing Hon, aged 57, is currently the audit associate director of World Link CPA Limited. Mr. NGAN graduated from the Chinese University of Hong Kong with a bachelor of business administration. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. NGAN had worked in two international audit firms for approximately 4 years, and was then employed by several listed and private companies in Hong Kong as financial controller. Mr. NGAN has extensive experience in auditing, accounting and corporate finance. He was the chief financial officer of a listed company in Singapore for the period from May 2004 to September 2007. He joined the Company as the independent non-executive Director in 2011.

Mr. YEUNG Kin Bond, Sydney, aged 40, started his career at Morgan Stanley in 1996 in New York. He then worked at Van der Moolen, a US securities specialist firm then listed on the New York Stock Exchange, as the director of international trading. Mr. YEUNG is one of the founders of Verde Asia Fund LLC and the managing director of Pioneer Capital Mgmt, Inc. He is also the director and member of Global Strategic Events Pte Ltd, a media company which is engaged in sponsoring and the coordination of Asia's most prolific business forums and television programs. He is currently the director of Roots Capital Asia Limited which engages in advisory services. He has also been appointed as an independent director of China Gaoxian Fibre Fabric Holdings Ltd (listed on the Singapore Stock Exchange), a director of Global Initiatives Communications Pte Ltd., a director of Maiplay Pte Ltd. and a non-executive and non-independent director of Giken Sakata (S) Ltd. (listed on the Singapore Stock Exchange) since 2013. He joined the Company as the independent non-executive Director in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. TSOI Lai Man, Raymond, aged 47, is the Chief Financial Officer and Chief Operating Officer of the Group. He is a qualified accountant with the Hong Kong Institute of Certified Public Accountants and has 20 years of accounting and auditing experience. Prior to joining the Company, he was an Audit Partner with KPMG Hong Kong and then joined the Dickson Concepts International Group as their Group General Manager, responsible for the management of both front line operation and back-office supporting infrastructure. Mr. TSOI graduated with a Bachelor of Commerce Degree, majoring in Accountancy, from the University of Western Australia. He joined the Group in 2013.

Mr. DAHLAN, aged 46, is the director of the Group's coal trading operations. He has over 20 years of wide-ranging commercial experience with regional and multinational corporations operating in Asia's resources sector. Prior to joining the Company, he held various positions in strategic planning, corporate finance and corporate control with a multinational company in Hong Kong and a diversified regional business group. Mr. DAHLAN holds an MBA from the National University of Singapore and was awarded the ASEAN Postgraduate Scholarship. He joined the Group in 2012.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended 31 March 2014.

The Board is dedicated to sound governance practices and strives to meet the standard at all levels of the organisation. The Board recognises the vital importance of trust in relationship with our shareholders and investors. Solid corporate governance practices ensure the alignment of corporate behaviours with shareholder interests by promoting the principles of transparency, accountability and independence in the Company's business activities and decision making processes.

The Company has applied the principles of, and complied with the applicable code provisions (the "Code Provision(s)") of the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2014 save for the deviation from the Code Provision A.4.1 on the service terms of the non-executive Directors and the Code Provision C.1.2 on monthly updates of the Company's performance to the Board as disclosed herein.

THE BOARD

Board composition and role

The Board is responsible for overseeing our management and business affairs as well as approving strategic plans and major policy decisions for the Company with the objectives of enhancing shareholders value.

The Board consisted of five members as at 31 March 2014, including two executive Directors and three independent non-executive Directors.

Changes in members of the Board during the year ended 31 March 2014 and up to the date of this annual report are set out below:

- Mr. Adwin Haryanto SURYOHADIPROJO acted as the executive Director and Chairman up to 13 February 2014.

- Mr. CHUA Chun Kay was appointed as the Chairman on 26 February 2014. Mr. CHUA has acted as the Chairman during the period from 16 February 2011 to 4 July 2012.

- Mr. RAN Dong and Mr. CHAN Tsang Mo were appointed as the executive Directors, and Mr. CHANG Tseng Hsi, Jesse was appointed as the independent non-executive Director, all effective from 9 June 2014.

- Mr. CHUA Chun Kay resigned as the executive Director and Chairman and Mr. LAM Pun Yuen, Frank resigned as the independent non-executive Director, chairman of remuneration committee under the Board and a member of each of nomination committee and audit committee under the Board, all effective from the close of the Offers (as defined in the Director's Report on page 14 of this annual report) at 4:00 p.m. on 27 June 2014.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board composition and role *(Continued)*

- Mr. CHANG Tseng His, Jesse, acted as the acting Chairman for the period from the close of the Offers at 4:00 p.m. on 27 June 2014 to 28 July 2014, and was appointed as the chairman of remuneration committee under the Board and a member of each of nomination committee and audit committee under the Board with effect from the close of the Offers at 4:00 p.m. on 27 June 2014.

The Board as a whole has achieved an appropriate balance of skills and experience for the requirements of the Group's business. The biographical details of the Directors including relationships with members of the Board and substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, if any, are set out in the "Biographical Details of Directors and Senior Management" section on pages 17 to 19 of this annual report.

The Board has adopted a Board Diversity Policy on 16 August 2013 which sets out the approach to the diversity on the Board. The Nomination Committee will give consideration to a number of factors as set out in the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service. The Board is considered well balanced and of a diverse mix appropriate for the needs of the Company. The Company will also take into account its own business model and specific needs from time to time to determine the optimal composition of the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

The Board has delegated the day-to-day responsibility to the executive Directors and senior management who perform their duties under the leadership of the Group's Chief Executive Officer. The roles of Chairman and the Chief Executive Officer are separate and performed by two Directors. During the year ended 31 March 2014, Mr. Adwin Haryanto SURYOHADIPROJO and Mr. CHUA Chun Kay, the former Chairmen were responsible for the overall formulation of business strategies and market development of the Company. Mr. Junaidi YAP, the Chief Executive Officer of the Group, was delegated with the authority and responsibility to maintain the Company's business and day-to-day operations, and to implement the Company's strategy with respect to the achievement of its business objectives with the assistance of the senior management.

During the year ended 31 March 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors. All the independent non-executive Directors possess appropriate professional qualifications, or accounting or related financial management expertise. In addition, the Company has received, from each of the independent non-executive Directors, an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Board considers each of the independent non-executive Directors to be independent and has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD *(Continued)*

Board composition and role *(Continued)*

The Directors have been kept abreast of their responsibilities as a director of a listed company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to Directors and the Board committee members in a timely manner to keep them apprised of the latest development of the Company. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Appropriate insurance covering directors' and officers' liabilities has been in force to protect the Directors and officers of the Company from their risk exposure arising from the businesses of the Company.

Board meetings

The Board is expected to meet regularly and at least four times a year with at least 14 days' notice. Additional meetings with reasonable notice have been held as and when the Board considered appropriate. Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. In addition to the Board meetings, the Directors dealt with matters by way of circulation during the year ended 31 March 2014.

During the year ended 31 March 2014, the Board had held eight Board meetings, out of which two of them were held to discuss and/or approve the final and the interim financial performance/results of the Group while two of them were held to discuss, among other things, various projects contemplated by the Company.

During the year ended 31 March 2014, the respective attendances of the Board members were as follows:

Name of Director	Number of Board meetings attended/held
Executive Directors:	
Mr. Adwin Haryanto SURYOHARDIPROJO (acted as Chairman and executive Director up to 13 February 2014)	6/8
Mr. CHUA Chun Kay *(Chairman)* (appointed as Chairman on 26 February 2014)	3/8
Mr. Junaidi YAP *(Chief Executive Officer)*	7/8
Independent Non-executive Directors:	
Mr. LAM Pun Yuen, Frank	7/8
Mr. NGAN Hing Hon	7/8
Mr. YEUNG Kin Bond, Sydney	5/8

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board meetings *(Continued)*

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. All Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, enabling the Board to make an informed decision on matters placed before it. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

Ms. POON Kin Yee, has resigned and Ms. LAM Wai Yee, Sophie was appointed as company secretary of the Company on 1 April 2014. During the year ended 31 March 2014, Ms. POON has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training. Ms. Lam is currently the Vice President of SW Corporate Services Group Limited, a corporate service provider. Ms. LAM is responsible for advising the Board on company secretarial and corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable rules and regulations.

The primary corporate contact person at the Company is Mr. TSOI Lai Man, Raymond, the Chief Financial Officer and Chief Operating Officer of the Group.

According to current Board practice, any material transaction that involves a conflict of interests of a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws requires Directors who themselves or whose associates have material interest to abstain from voting and not to be counted in the quorum at meetings for approving such transaction.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 standards as set out in the Model Code throughout the year ended 31 March 2014.

THE BOARD *(Continued)*

Directors' training and continuous professional development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

Pursuant to A.6.5 of the CG Code, all the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the year ended 31 March 2014, all Directors have participated in continuous professional development by attending external seminars/ programmes and/or reading materials relating to updates on corporate governance and regulations.

Appointment, re-election and removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The Board as a whole is responsible for reviewing the Board composition. Board composition is reviewed regularly to ensure that it has a balance of expertise, skill and experience appropriate for the requirement of the business of the Company.

In accordance with the Company's Bye-laws, all Directors of the Company are subject to retirement by rotation at least once every three years. Any new Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The terms of the independent non-executive Directors are not fixed but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Corporate governance functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees written guidelines, and the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

BOARD COMMITTEES

The Company has maintained the Nomination Committee, the Remuneration Committee and the Audit Committee throughout the year to oversee particular aspects of the Company's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authorities and duties.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee is composed of three independent non-executive Directors. The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are available and accessible on the Company's website at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia.

During the year ended 31 March 2014, the Nomination Committee held two meetings and the attendance of each member is presented as follows:

Name of committee member	Number of meetings attended/held
Mr. YEUNG Kin Bond, Sydney *(Chairman)*	2/2
Mr. LAM Pun Yuen, Frank	2/2
Mr. NGAN Hing Hon	2/2

The duties of Nomination Committee performed mainly covered the review of the structure, size and composition of the Board and the change in directorships during the year.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of three independent non-executive Directors. The Remuneration Committee is responsible for reviewing and determining the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company's website at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia.

During the year ended 31 March 2014, the Remuneration Committee had held one meeting and the attendance of each member is presented as follows:

Name of committee member	Number of meetings attended/held
Mr. LAM Pun Yuen, Frank *(Chairman)*	1/1
Mr. YEUNG Kin Bond, Sydney	1/1
Mr. NGAN Hing Hon	1/1

The duties of Remuneration Committee performed mainly covered the review of the policy and structure for the remuneration of Directors and senior management, the review and recommendation for Board approval of the adoption of new share option scheme and the review of the remuneration and service contract (if applicable) of the Directors appointed during the year.

REMUNERATION COMMITTEE *(Continued)*

Particulars of Directors' emoluments for the year ended 31 March 2014 are set out in note 8 to the financial statements.

Pursuant to the Code Provision B.1.5, details of the annual remuneration of the member of the senior management by band for the year ended 31 March 2014 were as follows:

	Number of employee(s)
HK$1,000,001 to HK$1,500,000	2
HK$2,000,001 to HK$2,500,000	2

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors. The Audit Committee is responsible for considering the appointment of external auditor, reviewing the interim and annual financial statements before submission to the Board and the Group's internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company's website at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia.

During the year ended 31 March 2014, the Audit Committee held two meetings for the purpose of considering and reviewing the annual and interim results of the Group and the internal control system of the Group. The attendance of each member is presented as follows:

Name of committee member	**Number of meetings attended/held**
Mr. NGAN Hing Hon *(Chairman)*	2/2
Mr. LAM Pun Yuen, Frank	2/2
Mr. YEUNG Kin Bond, Sydney	2/2

At the Audit Committee meeting on 30 June 2014, the Audit Committee reviewed the Company's consolidated financial statements for the year ended 31 March 2014 and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of KPMG as the external auditor of the Company for 2014/2015 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2014 annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for preparing all information and representations contained in the annual report for the year under review. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Company and those relevant statutory requirements and applicable accounting standards are complied with. The management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

Pursuant to the Code Provision C.1.2, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects. In view of the simplicity of the Company's business, consolidated financial statements prepared at half year intervals and submitted to Board members for their review and approval on the Company's annual and interim results give sufficient measures at this stage. However, management shall continue to review the need for providing such monthly updates to the Board.

The final and interim results of the Group are announced in a timely manner within the limits of three months and two months respectively after the end of the relevant year or period.

Similar to last year, in preparing the accounts for the six months ended 30 September 2013 and for the year ended 31 March 2014, the Directors have adopted suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and ensured the financial statements are prepared on a going concern basis. The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 30 to 31 of this annual report.

AUDITORS' REMUNERATION

The fee paid and payable to KPMG, the independent auditors of the Company in respect of audit services provided to the Company for the year ended 31 March 2014 amounted to approximately US$138,000 (2013: US$123,000). No non-audit service is provided for the year ended 31 March 2014 (2013: US$45,000).

INTERNAL CONTROL

The Board recognises its responsibility for the effectiveness of the Group's internal control system.

The Group's internal control system includes a defined management structure and is designed to help the Group to achieve business objectives, safeguard assets against unauthorized use, ensure the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant legislation and regulations. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

INTERNAL CONTROL *(Continued)*

The Company has reviewed the effectiveness of the Group's internal control system, covering all material controls, including financial and operational for the year ended 31 March 2014. Areas for enhancement have been identified and appropriate measures have been/are being put in place to address such areas.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain a high level of transparency in communicating with shareholders and investors.

The Board and the Company maintain an on-going dialogue with the Company's shareholders and the investment community mainly through the Company's financial reports, annual general meeting and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

Shareholders may at any time send their enquiries to the Board in writing to the Company Secretarial Department with the contact details set out below:

Head Office: Office 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central Hong Kong

E-mail : cs@aresasialtd.com
ir@aresasialtd.com

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2014, there had been no change in the Company's constitutional documents.

SHAREHOLDER RIGHTS

To safeguard the shareholders' rights and interests, separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by way of a poll pursuant to the Listing Rules and poll results will be posted on the website of the Stock Exchange and the Company on the business day following the general meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS *(Continued)*

Procedures for shareholders to convening a special general meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Procedures for shareholders to propose a person for election as the Director

The Company's procedures for shareholders to propose a person for election as the Director are available on the Company's website at www.aresasialtd.com.

INDEPENDENT AUDITOR'S REPORT

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ARES ASIA LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ares Asia Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 32 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014
(Expressed in United States dollars)

	Note	2014 $'000	2013 $'000
Continuing operation			
Turnover	3	**109,024**	44,639
Cost of sales		**(107,262)**	(43,801)
Gross profit		**1,762**	838
Other revenue	4	**17**	122
Other net (loss)/income	4	**(8)**	111
Selling and distribution expenses		**(358)**	(186)
Administrative expenses		**(3,034)**	(2,446)
Loss from operations		**(1,621)**	(1,561)
Net unrealised (loss)/gain on financial asset designated at fair value through profit or loss	15	**(6,014)**	1,014
Loss before taxation	5	**(7,635)**	(547)
Income tax	6(a)	**—**	—
Loss from continuing operation		**(7,635)**	(547)
Discontinued operation			
Loss from discontinued operation	7	**(529)**	(3,709)
Loss and total comprehensive income for the year		**(8,164)**	(4,256)
Loss per share	11		
Basic and diluted			
— Continuing operation		**(2.24) cents**	(0.16) cent
— Discontinued operation		**(0.16) cent**	(1.09) cent
		(2.40) cents	(1.25) cent

The notes on pages 37 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014
(Expressed in United States dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	12	**188**	296
Intangible asset	13	**357**	—
Prepayments	16	**8,740**	—
		9,285	296
Current assets			
Financial asset designated at fair value through profit or loss	15	**—**	6,014
Trade and other receivables	16	**10,730**	693
Cash and cash equivalents	18	**9,363**	25,047
		20,093	31,754
Current liabilities			
Trade and other payables	19	**6,581**	1,041
Current taxation	22(a)	**—**	48
		6,581	1,089
Net current assets		**13,512**	30,665
NET ASSETS		**22,797**	30,961
CAPITAL AND RESERVES			
Share capital	23(b)	**440**	440
Reserves		**22,357**	30,521
TOTAL EQUITY		**22,797**	30,961

Approved and authorised for issue by the board of directors on 30 June 2014.

CHANG Tseng Hsi, Jesse
Director

Junaidi YAP
Director

The notes on pages 37 to 91 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

(Expressed in United States dollars)

	Note	2014 $'000	2013 $'000
Non-current asset			
Investments in subsidiaries	14	**1**	1
Current assets			
Amounts due from subsidiaries	17	**23,435**	30,486
Cash and cash equivalents	18	**65**	40
		23,500	30,526
Current liability			
Other payables and accrued expenses	19	**446**	101
Net current assets		**23,054**	30,425
NET ASSETS		**23,055**	30,426
CAPITAL AND RESERVES	23(a)		
Share capital		**440**	440
Reserves		**22,615**	29,986
TOTAL EQUITY		**23,055**	30,426

Approved and authorised for issue by the board of directors on 30 June 2014.

CHANG Tseng Hsi, Jesse
Director

Junaidi YAP
Director

The notes on pages 37 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014
(Expressed in United States dollars)

	Share capital *$'000*	Contributed surplus *$'000*	Share option reserve *$'000*	Retained profits *$'000*	Total equity *$'000*
Balance at 1 April 2012	440	15,088	—	19,638	35,166
Changes in equity for the year ended 31 March 2013:					
Loss and total comprehensive income for the year	—	—	—	(4,256)	(4,256)
Equity settled share-based transactions *(note 21)*	—	—	51	—	51
Balance at 31 March 2013 and 1 April 2013	440	15,088	51	15,382	30,961
Change in equity for the year ended 31 March 2014:					
Loss and total comprehensive income for the year	—	—	—	(8,164)	(8,164)
Balance at 31 March 2014	440	15,088	51	7,218	22,797

The notes on pages 37 to 91 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014
(Expressed in United States dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Loss before taxation		**(8,212)**	(4,256)
Adjustments for:			
Depreciation	5(b)	**125**	158
Interest income	4	**(17)**	(14)
Net unrealised loss/(gain) on financial asset designated at fair value through profit or loss	15	**6,014**	(1,014)
Gain on disposal of property, plant and equipment	4	**—**	(464)
Equity settled share-based payment expenses	5(a)	**—**	51
Changes in working capital:			
Decrease in inventories		**—**	4,153
(Increase)/decrease in trade and other receivables		**(18,777)**	2,939
Increase/(decrease) in trade and other payables		**5,540**	(2,937)
Net cash used in operating activities		**(15,327)**	(1,384)
Investing activities			
Payment for purchase of property, plant and equipment		**(17)**	(160)
Proceeds from sale of property, plant and equipment		**—**	751
Payment for purchase of intangible asset		**(357)**	—
Interest received		**17**	14
Net cash (used in)/generated from investing activities		**(357)**	605
Net decrease in cash and cash equivalents		**(15,684)**	(779)
Cash and cash equivalents at beginning of the year		**25,047**	25,826
Cash and cash equivalents at end of the year	18	**9,363**	25,047

MAJOR NON-CASH TRANSACTION

A deposit of $5,000,000 paid for a proposed investment in Indonesia during the year ended 31 March 2012 was used to offset against the consideration for the subscription of the Exchangeable Bond (as defined in note 15) during the year ended 31 March 2013.

The notes on pages 37 to 91 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2014 comprise the Company and its subsidiaries.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

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

(c) Change in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 10, *Consolidated financial statements*

— HKFRS 12, *Disclosure of interests in other entities*

— HKFRS 13, *Fair value measurement*

— Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

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

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Change in accounting policies *(Continued)*

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 24. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have any impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Investments in debt and equity securities under this category are initially stated at fair value, which is their transaction price unless it is determined that the fair value of initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. These investments are subsequently accounted for at fair value and are not generally allowed to be reclassified into or out of this category while held or issued. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

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

(f) Property, plant and equipment

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. Both the period and method of amortisation are reviewed annually.

Club membership is not amortised while its useful life is assessed to be indefinite. Any conclusion that the useful life of the club membership is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out above.

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating leases charges

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) ***Impairment of receivables*** *(Continued)*

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(j) Inventories

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Trade and other receivables (other than prepayments for supply contracts)

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

(l) Prepayments for supply contracts

Prepayments for supply contracts are stated at cost less allowance for impairment losses (see note 1(i)).

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

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

  — the same taxable entity; or

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

(q) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(s) Translation of foreign currencies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies *(Continued)*

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

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Discontinued operations

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

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

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

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

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

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

(w) Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

2 ACCOUNTING ESTIMATES

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

(ii) Impairment losses for bad and doubtful debts

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

(iii) Unlisted investments

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

2 ACCOUNTING ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iv) Other impairment losses

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

(v) Income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the coal trading business. The Group was also engaged in the manufacture and sale of footwear products, which have been classified as discontinued operation (see note 7).

Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
	$'000	*$'000*
Continuing operation		
Sale of coal	**109,024**	44,639
Discontinued operation		
Sale of footwear products	**—**	13,112
	109,024	57,751

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(a) Turnover *(Continued)*

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

	Coal trading *$'000*	Footwear business *$'000*
2014		
Customer A	**53,414**	**—**
Customer B	**42,209**	**—**
2013		
Customer A	44,639	—
Customer C	—	7,096

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

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

(b) Segment reporting

The Group commenced the coal trading business in October 2012 and discontinued the footwear business in January 2013.

Since the commencement of the Group's coal trading business, the Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group had two reportable business segments — coal trading and footwear business, which are classified as continuing operation and discontinued operation (see note 7) respectively. No operating segments have been aggregated to form the reporting segments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

Continuing operation:

— Coal trading : Sale of coal

Discontinued operation:

— Footwear business : Manufacturing and sale of footwear products

(i) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is "EBIT" i.e. "adjusted earnings before interest and taxes" of individual segment. To arrive at EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

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

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2014 and 2013 is set out below.

	2014			2013		
	Continuing operation	Discontinued operation	Total	Continuing operation	Discontinued operation	Total
	Coal trading $'000	Footwear business $'000	$'000	Coal trading $'000	Footwear business $'000	$'000
Revenue						
Reportable segment revenue	109,024	—	109,024	44,639	13,112	57,751
Results						
Reportable segment results (EBIT)	328	(577)	(249)	(26)	(3,709)	(3,735)
Net unrealised (loss)/gain on financial asset designated at fair value through profit or loss			(6,014)			1,014
Unallocated head office and corporate expenses			(1,949)			(1,535)
Consolidated loss before taxation			(8,212)			(4,256)
Additions to non-current segment assets during the year	9,114	—	9,114	160	—	160
Depreciation for the year	125	—	125	95	63	158
Assets						
Segment assets	29,304	8	29,312	25,462	533	25,995
Financial asset designated at fair value through profit or loss			—			6,014
Unallocated head office and corporate assets			66			41
Consolidated total assets			29,378			32,050
Liabilities						
Segment liabilities	6,097	187	6,284	794	176	970
Unallocated head office and corporate liabilities			297			119
Consolidated total liabilities			6,581			1,089

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible asset and non-current portion of prepayment ("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 intangible asset and prepayment.

	Revenue from external customers		**Specified non-current assets**	
	2014	2013	**2014**	2013
	$'000	*$'000*	***$'000***	*$'000*
Continuing operation				
The People's Republic of China ("PRC")	**109,024**	44,639	**9,285**	296
Discontinued operation				
The PRC	**—**	12,901	**—**	—
Asia (other than the PRC)	**—**	211	**—**	—
	—	13,112	**—**	—
	109,024	57,751	**9,285**	296

4 OTHER REVENUE AND NET (LOSS)/INCOME

	2014 $'000	2013 $'000
Other revenue		
Continuing operation		
— Bank interest income	**17**	13
— Others	**—**	109
	17	122
Discontinued operation		
— Bank interest income	**—**	1
— Others	**1**	39
	1	40
	18	162
Other net (loss)/income		
Continuing operation		
— Net foreign exchange (loss)/gain	**(8)**	111
Discontinued operation		
— Net foreign exchange gain/(loss)	**1**	(68)
— Scrap sales	**—**	399
— Gain on disposal of property, plant and equipment	**—**	464
	1	795
	(7)	906

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2014 $'000	2013 $'000
(a)	**Staff costs**		
	Continuing operation		
	Salaries, wages and other benefits	**2,125**	1,586
	Contributions to defined contribution retirement plans	**21**	14
	Equity settled share-based payment expenses *(note 21)*	**—**	51
		2,146	1,651
	Discontinued operation		
	Salaries, wages and other benefits	**37**	3,536
	Contributions to defined contribution retirement plans	**—**	66
	Termination benefits	**—**	2,135
		37	5,737
		2,183	7,388
(b)	**Other items**		
	Continuing operation		
	Cost of inventories	**107,262**	43,801
	Operating lease charges in respect of properties	**288**	288
	Depreciation	**125**	95
	Auditors' remuneration — audit services	**128**	91
	Finance costs	**10**	—
	Discontinued operation		
	Cost of inventories*	**—**	14,468
	Depreciation	**—**	63
	Auditors' remuneration		
	— audit services	**10**	32
	— non-audit services	**—**	45

* Cost of inventories for the year ended 31 March 2013 included $2,965,000 relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of comprehensive income represents:

	2014	2013
	$'000	*$'000*
Discontinued operation		
Hong Kong Profits Tax		
— Over-provision in respect of prior years	**(48)**	—

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2014 as the Group's operations in Hong Kong had tax losses brought forward which exceeded the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax had been made for the year ended 31 March 2013 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2014	2013
	$'000	*$'000*
Loss before taxation from		
— continuing operation	**(7,635)**	(547)
— discontinued operation	**(577)**	(3,709)
	(8,212)	(4,256)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(1,355)**	(701)
Tax effect of non-taxable income	**(3)**	(205)
Tax effect of non-deductible expenses	**1,408**	884
Tax effect of tax losses not recognised	**—**	22
Tax effect of utilisation of prior years' unrecognised tax losses	**(50)**	—
Over-provision in respect of prior years	**(48)**	—
Actual tax credit	**(48)**	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

7 DISCONTINUED OPERATION

During the year ended 31 March 2013, the Group ceased the operation of its footwear business. Accordingly, the operating results of the footwear business for the years ended 31 March 2014 and 2013 are presented as discontinued operation in the financial statements.

Since the total assets and liabilities directly associated with the discontinued operation are insignificant to the Group, there is no separate presentation of assets or liabilities classified as held for sale in the consolidated statement of financial position.

(a) Results of the discontinued operation:

	2014	2013
	$'000	*$'000*
Turnover	**—**	13,112
Cost of sales	**—**	(14,468)
Other revenue	**1**	40
Other net income	**1**	795
Selling and distribution expenses	**—**	(109)
Administrative expenses	**(129)**	(829)
Restructuring costs	**(450)**	(2,250)
Loss before taxation	**(577)**	(3,709)
Income tax credit	**48**	—
Loss for the year	**(529)**	(3,709)

(b) Cash flows of the discontinued operation:

	2014	2013
	$'000	*$'000*
Net cash used in operating activities	**(261)**	(177)
Net cash generated from investing activities	**—**	752
Net cash (outflow)/inflow from discontinued operation	**(261)**	575

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contributions	Sub-total	Share-based payment *(note)*	2014 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors						
Adwin Haryanto SURYOHADIPROJO (passed away on 13 February 2014)	—	55	—	55	—	55
CHUA Chun Kay	120	—	—	120	—	120
Junaidi YAP	—	625	2	627	—	627
Independent non-executive directors						
LAM Pun Yuen, Frank	15	—	—	15	—	15
NGAN Hing Hon	15	—	—	15	—	15
YEUNG Kin Bond, Sydney	15	—	—	15	—	15
Total	165	680	2	847	—	847

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(Continued)*

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

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2013: two) is director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other four (2013: three) individuals are as follows:

	2014 **$'000**	2013 $'000
Salaries and other emoluments	**821**	1,115
Retirement scheme contributions	**8**	6
	829	1,121

The emoluments of the four (2013: three) individuals with the highest emoluments are within the following bands:

	2014 **Number of individuals**	2013 Number of Individuals
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,000,001 to HK$2,500,000	**2**	—
HK$3,000,001 to HK$3,500,000	**—**	1
HK$4,000,001 to HK$4,500,000	**—**	1
	4	3

10 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $7,371,000 (2013: $2,931,000) which has been dealt with in the financial statements of the Company.

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $8,164,000 (2013: $4,256,000) and the weighted average of 340,616,934 ordinary shares (2013: 340,616,934 ordinary shares) in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share for the years ended 31 March 2014 and 2013 as there were no dilutive potential ordinary shares during that year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

The Group

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

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Leasehold improvements *$'000*	Plant and machinery *$'000*	Furniture, fixtures and equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:					
At 1 April 2013	154	—	160	98	412
Additions	3	—	14	—	17
At 31 March 2014	157	—	174	98	429
Accumulated depreciation:					
At 1 April 2013	58	—	44	14	116
Charge for the year	59	—	41	25	125
At 31 March 2014	117	—	85	39	241
Net book value:					
At 31 March 2014	40	—	89	59	188

13 INTANGIBLE ASSET

The Group

	Club membership *$'000*
Cost:	
At 1 April 2012, 31 March 2013 and 1 April 2013	—
Additions	357
At 31 March 2014	357

The club membership is assessed to have indefinite useful lives. The management estimated the recoverable amount of club membership based on its fair value less costs of disposal and concluded no impairment was required at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	$'000	*$'000*
Unlisted shares, at cost	**1**	1

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

Name	Place of incorporation and operations	Particulars of issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Able Point Corporation Limited	Hong Kong	1,000,000 ordinary shares	100%	100%	Investment holding
Ares Repco Limited	Hong Kong	2,000,000 ordinary shares	100%	100%	Coal trading
Brave Win Industries Limited	Hong Kong	21,000,000 ordinary shares and 9,000,000 non-voting deferred shares	100%	100%	Inactive (2013: Manufacturing of sole units)

15 FINANCIAL ASSET DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	$'000	*$'000*
At fair value:		
Overseas unlisted exchangeable bond	—	6,014

As disclosed in the Company's announcements dated 30 May 2012 and 22 March 2013, Able Point Corporation Limited ("Able Point"), an indirectly wholly-owned subsidiary of the Company, entered into a subscription agreement ("Subscription Agreement") and a supplemental agreement ("Supplemental Agreement") on 30 May 2012 and 22 March 2013 respectively with PT Langit Timur Energy ("LTE"), PT Mandiri Arya Persada ("MAP", a non-wholly owned subsidiary of LTE which holds certain coal concessions in Indonesia) and PT Lintas Sanjaya, the non-controlling shareholder of LTE, to subscribe for a one year zero coupon secured exchangeable bond in a principal amount of $5,000,000 issued by LTE ("Exchangeable Bond"). The Exchangeable Bond could be extended for one year if mutually agreed by LTE and Able Point.

Subject to certain conditions as stipulated in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), Able Point can exercise the right to exchange the Exchangeable Bond into shares of MAP (the "Underlying Shares"). The equity interests of the Underlying Shares in MAP have been increased from 5% to 70% of the total issued and paid up capital of MAP on a fully diluted basis as agreed in the Supplemental Agreement.

LTE can redeem the Exchangeable Bond at any time prior to the maturity and the redemption price is fixed at approximately $6,084,000, representing a redemption premium of 21.6888% throughout the one-year period. In the case of the maturity date being extended for one year, the redemption price will be calculated based on a redemption premium of 41% on an accrual basis on the total outstanding principal amount of the Exchangeable Bond, starting from the first anniversary of the date of the issue of the Exchangeable Bond. Unless previously redeemed or converted, LTE shall redeem the Exchangeable Bond at 100% principal amount plus the redemption premium at maturity.

On 29 May 2013, LTE and Able Point agreed to extend the maturity date of the Exchangeable Bond to 29 May 2014 pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

15 FINANCIAL ASSET DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Subsequent to the last reporting period, it was reported that the exploration results of MAP's coal concessions were not satisfactory. As a consequence, LTE and MAP faced significant financial difficulties and all the exploration activities of the underlying coal concessions were suspended. Given there is no further funding made available to MAP to support further exploration and evaluation activities, it is the intention of MAP to return the coal concessions to the relevant government authorities. As a result, it casts significant doubt on the going concern of LTE and MAP, and the ability of LTE to redeem the Exchangeable Bond when it reaches the maturity date, the Group recognised net unrealised loss on financial asset designated at fair value through profit or loss of $6,014,000 during the year ended 31 March 2014 and the Exchangeable Bond was stated at nil at 31 March 2014.

On 29 April 2014, LTE has issued a notice to the Group informing its financial inability to redeem the Exchangeable Bond and asking for the Group's consent to exchange the Exchangeable Bond into the Underlying Shares in MAP. The Group has decided it would not exercise its aforesaid right to exchange and is currently assessing other options to recover the Group's investment in the Exchangeable Bond.

16 TRADE AND OTHER RECEIVABLES

	The Group	
	2014	2013
	$'000	*$'000*
Trade debtors	**6,316**	—
Prepayments and other receivables	**13,154**	693
	19,470	693
Less: Non-current portion of prepayments	**(8,740)**	—
	10,730	693

During the year ended 31 March 2014, the Group entered into coal sale and purchase agreements with a marketing agent of certain top coal miners in Indonesia. Under the agreements, the Group made prepayments of $13,000,000 to the marketing agent to secure long-term supply of thermal coal from the relevant coal miners. The prepayment would be recovered by deducting a pre-agreed amount per metric tonne of coal purchased by the Group.

16 TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 March 2014, the unutilised prepayment of $12,923,000 was included in "Prepayments and other receivables". The directors estimated that the prepayment expected to be recovered or recognised as expense after more than one year is $8,740,000 which is recognised as non-current asset accordingly. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in "Trade and other receivables" are trade debtors with the following ageing analysis, based on the invoice date (or date of revenue recognition, if earlier), as of the end of the reporting period:

	The Group	
	2014	2013
	$'000	*$'000*
Within 1 month	**6,316**	—

The credit terms offered to customers of coal trading business are negotiated on a case-by-case basis. Deposits are usually required and the remaining balance is payable within 2 days after the customers receive all the documents as stipulated in the sales agreements. The Group's trade debtors will also be settled by way of sight letter of credit or usance letter of credit up to a tenor of 90 days.

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

	The Group	
	2014	2013
	$'000	*$'000*
Neither past due nor impaired	**6,316**	—

Based on past experience, management believes that no impairment allowance is necessary in respect of trade debtors as at 31 March 2014 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The outstanding trade debtors as at 31 March 2014 were covered by letter of credit which has been accepted by the nominated bank subsequent to the end of the reporting period. No impairment loss was recognised by the Group at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

17 AMOUNTS DUE FROM SUBSIDIARIES

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

18 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**—**	5,004	**—**	—
Cash at bank and in hand	**9,363**	20,043	**65**	40
	9,363	25,047	**65**	40

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**5,935**	—	**—**	—
Other payables and accrued expenses	**646**	1,041	**446**	101
	6,581	1,041	**446**	101

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

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

	The Group	
	2014	2013
	$'000	*$'000*
Within 1 month	**5,935**	—

20 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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

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

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

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

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

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

The number of share options which may be granted under the 2012 Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The maximum number of unexercised share options under the 2012 Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company at any time. The maximum number of options issued to each participant under the 2012 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of the limit is subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

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

A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option.

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period to be determined and notified by the Company's directors to each grantee of the option, which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant of the option. The Company's directors may at their sole discretion determine the minimum period for which the option has to be held or other restrictions before the exercise of the option.

During the year ended 31 March 2014, no (2013: 1,500,000) share options were granted under the 2012 Scheme. Neither of the share options was lapsed nor exercised during the years ended 31 March 2014 and 2013.

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

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

(Expressed in United States dollars unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

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

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$0.63**	**1,500,000**	—	—
Granted during the year	**—**	**—**	HK$0.63	1,500,000
Outstanding at the end of the year	**HK$0.63**	**1,500,000**	HK$0.63	1,500,000
Exercisable at the end of the year	**HK$0.63**	**1,500,000**	HK$0.63	1,500,000

The options outstanding at 31 March 2014 had an exercise price of HK$0.63 (2013: HK$0.63) and a remaining contractual life of 1.6 years (2013: 2.6 years).

(iii) Fair value of share options and assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

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

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

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

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2014	2013
	$'000	*$'000*
Balance of income tax provision relating to prior years	—	48

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $196,000 (2013: $497,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under the current tax legislation.

23 CAPITAL AND RESERVES

(a) Movements in components of equity

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

The Company

	Share capital	Contributed surplus	Share option reserve	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 April 2012	440	15,088	—	17,778	33,306
Changes in equity for the year ended 31 March 2013:					
Loss and total comprehensive income for the year	—	—	—	(2,931)	(2,931)
Equity settled share-based transactions *(note 21)*	—	—	51	—	51
Balance at 31 March 2013 and 1 April 2013	440	15,088	51	14,847	30,426
Change in equity for the year ended 31 March 2014:					
Loss and total comprehensive income for the year	—	—	—	(7,371)	(7,371)
Balance at 31 March 2014	440	15,088	51	7,476	23,055

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

23 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

(i) Authorised and issued share capital

	2014 Number of shares	2014 Amount $'000	2013 Number of shares	2013 Amount $'000
Authorised:				
Ordinary shares of HK$0.01 each	**36,000,000,000**	**46,452**	36,000,000,000	46,452
Ordinary shares, issued and fully paid:				
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	**340,616,934**	**440**	340,616,934	440

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

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

Exercise period	Exercise price	2014 Number	2013 Number
25 October 2012 to 23 October 2015	HK$0.63	**1,500,000**	1,500,000

(c) Nature and purpose of reserves

(i) Contributed surplus

Contributed surplus arose from the group reorganisation in prior years.

23 CAPITAL AND RESERVES *(Continued)*

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

(ii) Share option reserve

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

(d) Distributability of reserves

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

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

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

At 31 March 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to $22,564,000 (2013: $29,935,000).

(e) Dividends

The directors do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: $Nil).

(f) Capital management

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

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 March 2014 was $22,797,000 (2013: $30,961,000).

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group reviews the capital structure on a regular basis and considers the cost of capital and the associated risks. Based on recommendations of the board of directors, the Group will balance its overall capital structure through adjusting the amount of dividends paid to shareholders, new share issues or new debt financing. No changes were made in the objectives, policies or processes during the years ended 31 March 2014 and 2013.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group considers the exposure to credit risk with respect to trade receivables as at 31 March 2014 was not significant as all of the total trade receivable was covered by letters of credit from reputable bank. There was no trade receivable for the Group as at 31 March 2013.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk. The Company has provided corporate guarantees to a subsidiary in respect of banking facilities of $82,000,000 granted to the subsidiary during the year ended 31 March 2014. Such facilities had not been drawn down by the subsidiary at 31 March 2014.

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. At 31 March 2014, the Group has unutilised bank facilities of $107,129,000.

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

(c) Interest rate risk

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

(d) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies (expressed in USD)			
	2014		2013	
	HKD	**RMB**	HKD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Trade and other receivables	**98**	**—**	94	—
Cash and cash equivalents	**471**	**14**	1,252	11
Trade and other payables	**(488)**	**—**	(271)	(47)
	81	**14**	1,075	(36)

The Company

	Exposure to foreign currencies (expressed in USD)			
	2014		2013	
	HKD	**RMB**	HKD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Cash and cash equivalents	**65**	**—**	40	—
Trade and other payables	**(415)**	**—**	(101)	—
	(350)	**—**	(61)	—

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

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

	2014		2013	
	Increase/ (decrease) in foreign exchange rate	**(Decrease)/ increase in loss after tax and (increase)/ decrease in retained profits**	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in loss after tax and decrease/ (increase) in retained profits
		$'000		*$'000*
Renminbi	**5%**	**(1)**	5%	2
	(5)%	**1**	(5)%	(2)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from the underlying shares attached to the unlisted Exchangeable Bond which is classified as financial asset designated at fair value through profit or loss (see note 15), and is held for strategic purposes. The management monitors regularly the performance of the Exchangeable Bond against expectation, together with an assessment of its relevance to the Group's strategic plans.

As the fair value of the Exchangeable Bond was nil as at 31 March 2014, the directors considered that it is not meaningful to present a sensitivity analysis on the changes in relevant equity price risk variable used in the calculation of the fair value of the Exchangeable Bond.

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

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

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis are categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The Group has a corporate finance team assessing the valuations for the financial asset designated at fair value through profit or loss which is categorised into Level 3 of the fair value hierarchy. Consultation with an independent valuer is carried out when appropriate in respect of the valuation assessment. The Group prepares analysis of changes in fair value measurement at each interim and annual reporting date.

At 31 March 2014, the Group's financial asset designated at fair value through profit or loss stated at nil (2013: $6,014,000) falls into Level 3 of the fair value hierarchy.

During the years ended 31 March 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfer out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

In prior year, the fair value of the Exchangeable Bond was estimated using an appropriate combination of (1) effective interest method; (2) open market value by reference to comparable market transactions adjusted to reflect the specific circumstances of the underlying exchangeable equity interests of the bond; and (3) Black-Scholes model with Trinomial Tree method. The significant unobservable inputs of the fair value measurement include credit risk of the Exchangeable Bond, the expected cash flows from the Exchangeable Bond and risk adjustment to the specific circumstances of the underlying exchangeable equity interests of the bond.

For the current year, due to the circumstances as discussed in note 15, no cash flows are expected to be received from the bond and it is anticipated that the equity conversion has no value due to the going concern issues.

As the fair value of the Exchangeable Bond was nil as at 31 March 2014, the directors considered that it is not meaningful to present a sensitivity analysis on the changes in unobservable inputs used in the calculation of the fair value of the Exchangeable Bond.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(Continued)*

Information about Level 3 fair value measurements (Continued)

The movements during the year in the balance of the Level 3 fair value measurements are as follows:

	The Group	
	2014	2013
	$'000	*$'000*
Financial assets designated at fair value through profit or loss		
At beginning of the year	**6,014**	—
Purchases	**—**	5,000
(Loss)/gain on fair value change recognised in profit or loss	**(6,014)**	1,014
At end of the year	**—**	6,014

The loss or gain arising from the fair value change of the financial asset designated at fair value through profit or loss is presented in "Net unrealised loss/gain on financial asset designated at fair value through profit or loss" in the consolidated statement of comprehensive income.

(ii) ***Fair values of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 2013 because of the immediate or short term maturity of the financial instruments.

25 OPERATING LEASE COMMITMENT

At 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	$'000	*$'000*
Within 1 year	**181**	290
After 1 year but within 5 years	**—**	181
	181	471

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

26 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	The Group	
	2014	2013
	$'000	*$'000*
Salaries and other short-term employee benefits	**1,666**	2,237
Share-based payments	**—**	51
Retirement scheme contributions	**10**	10
	1,676	2,298

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Star Crown Capital Ltd ("Star Crown"), which is incorporated in the British Virgin Islands. The entity does not produce financial statements available for public use.

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

As disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement with Landway Investments Limited, 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 $1,579,000 owed by China Compass to the Company, at a consideration of $3,200,000 (the "Disposal"). At 31 March 2014, the Disposal has not yet been completed and was subject to certain conditions which include approval by the Company's independent shareholders.

The Disposal was completed subsequently in April 2014 and the Group recorded a gain on disposal of approximately $3 million.

(b) Change of controlling shareholder

As disclosed in the Company's announcement dated 30 April 2014, subsequent to the end of the reporting period, the Company was informed by Star Crown that on 29 April 2014, Star Crown and Reignwood International Holdings Company Limited ("Reignwood"), the then independent third party, entered into a sale and purchase agreement (the "Agreement") pursuant to which Star Crown agreed to sell and Reignwood agreed to purchase all of Star Crown's interests in the issued share capital of the Company. Following the completion of the Agreement which took place immediately after the signing of the Agreement, Reignwood became the controlling shareholder of the Company.

The change of the Company's controlling shareholder to Reignwood had triggered Reignwood to make an unconditional mandatory cash offer for all the issued shares of the Company (other than those already owned by Reignwood and parties acting in concert with it) under The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") issued by the Securities and Futures Commission. Under the Takeovers Code, Reignwood was also required to make mandatory comparable cash offers for cancellation of all outstanding share options of the Company. The unconditional mandatory cash offers closed on 27 June 2014 as detailed in the announcement of the Company published on the same date.

(Expressed in United States dollars unless otherwise indicated)

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) Change of board composition

As disclosed in the Company's announcements dated 9 June 2014 and 27 June 2014, the board composition has been changed as follows:

(i) Messrs. RAN Dong and CHAN Tsang Mo have been appointed as the executive Directors of the Company with effect from 9 June 2014;

(ii) Mr. CHANG Tseng Hsi, Jesse has been appointed as an independent non-executive Director of the Company with effect from 9 June 2014;

(iii) Mr. CHUA Chun Kay resigned from his office of executive Director and Chairman of the Company with effect from 27 June 2014; and

(iv) Mr. LAM Pun Yuen, Frank resigned from his office of independent non-executive Director of the Company with effect from 27 June 2014.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
HKFRS 9, *Financial instruments*	Not yet established by the HKICPA

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014 *(Continued)*

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

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

(Expressed in United States dollars)

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Turnover					
Continuing operation	**109,024**	44,639	—	—	—
Discontiued operation	**—**	13,112	27,967	29,099	18,082
	109,024	57,751	27,967	29,099	18,082
(Loss)/profit before taxation from continuing and discontinued operations	**(8,212)**	(4,256)	(1,543)	845	2,295
Income tax credit/(expense) from continuing and discontinued operations	**48**	—	—	(48)	—
(Loss)/profit for the year attributable to shareholders from continuing and discontinued operations	**(8,164)**	(4,256)	(1,543)	797	2,295

ASSETS AND LIABILITIES

	As at 31 March				
	2014	2013	2012	2011	2010
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Total assets	**29,378**	32,050	39,192	41,241	38,086
Total liabilities	**(6,581)**	(1,089)	(4,026)	(4,532)	(2,166)
	22,797	30,961	35,166	36,709	35,920