ARES ASIA
安 域 亞 洲

ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Director(s)") of Ares Asia Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Note	**2020** **US$'000**	2019 US$'000
Revenue	*3*	**99,873**	198,348
Cost of sales		**(98,599)**	(197,079)
Gross profit		**1,274**	1,269
Other income	*4*	**9**	34
Selling expenses		**(240)**	(162)
Administrative expenses		**(1,151)**	(1,761)
Loss from operations		**(108)**	(620)
Finance costs	*5(a)*	**(581)**	(856)
Loss before taxation	*5*	**(689)**	(1,476)
Income tax	*6*	**–**	–
Loss and total comprehensive loss for the year		**(689)**	(1,476)
Loss per share	*7*		
Basic and diluted		**(0.20 cents)**	(0.43 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2020

	Note	**2020** **US$'000**	2019 *US$'000*
Non-current assets			
Property, plant and equipment		**2**	3
Right-of-use assets		**252**	–
		254	3
Current assets			
Trade and other receivables	*8*	**19,299**	22,276
Cash and bank balances		**10,425**	3,848
		29,724	26,124
Current liabilities			
Trade and other payables	*9*	**13,021**	15,867
Discounted bills with recourse	*10*	**3,138**	2,956
Lease liabilities		**320**	–
		16,479	18,823
Net current assets		**13,245**	7,301
Total assets less current liabilities		**13,499**	7,304
Non-current liabilities			
Lease liabilities		**57**	–
Net assets		**13,442**	7,304
Capital and reserves			
Share capital		**662**	441
Reserves		**12,780**	6,863
Total equity		**13,442**	7,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ares Asia Limited (the "Company", together with its subsidiaries are collectively referred to as the "Group") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is located at Level 96, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

These consolidated financial statements are presented in United States dollars ("US$") and rounded to the nearest thousand ("000"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018/19 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Annual Improvements to HKFRSs-2015-2017 Cycle

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of equity at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows.

	US$'000
Operating lease commitments at 31 March 2019	481
Less: Discounted using the lessee's incremental borrowing date at the DIA	(35)
Lease liabilities at 1 April 2019	446

The following table summarises the impact of transaction to HKFRS16 on accumulated losses at 1 April 2019:

	Impact on adopting HKFRS 16 at 1 April 2019 *US$'000*
Accumulated losses	
Depreciation of right-of-use assets from commencement dates upon application of HKFRS 16	138
Interest on lease liabilities from commencement dates upon application of HKFRS 16	18
Less: Lease payments under HKAS 17 before 1 April 2019	(157)
Impact at 1 April 2019	(1)

The following table summarises the impact on the Group's consolidated statement of financial position upon the adoption of HKFRS 16 at the DIA:

	Carrying amounts previously reported at 31 March 2019 *US$'000*	**Adjustment** *US$'000*	**Carrying amounts under HKFRS 16 at 1 April 2019** *US$'000*
Non-current assets			
Right-of-use assets	–	447	447
Current liabilities			
Lease liabilities	–	206	206
Non-current liabilities			
Lease liabilities	–	240	240
Capital and reserves			
Reserves	7,304	1	7,305

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the coal trading business. All of the revenue for the year ended 31 March 2020 is recognised in accordance with HKFRS 15. Revenue from contracts with customers, which is also the Group's turnover, mainly represents the sales value of coal in the ordinary course of businesses which are recognised at a point in time.

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

	Coal and other trading *US$'000*
2020	
Customer B	**37,566**
Customer D	**15,942**
Customer A	**15,451**
2019	
Customer A	103,890
Customer B	47,567
Customer C	23,884

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

(b) Segment reporting

The Group has a single reportable segment which is "coal and other trading". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and right-of-use assets ("Non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the property, plant and equipment and right-of-use assets is based on the physical location of the asset.

	Revenue from external customers		**Non-current assets**	
	2020 *US$'000*	2019 *US$'000*	**2020** *US$'000*	2019 *US$'000*
Mainland China	**99,873**	198,182	**–**	–
Hong Kong	**–**	72	**254**	3
Others	**–**	94	**–**	–
	99,873	198,348	**254**	3

4. OTHER INCOME

	2020	2019
	US$'000	*US$'000*
Bank interest income	**1**	1
Gain on sale of property, plant and equipment	**–**	19
Net foreign exchange gain	**8**	14
	9	34

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2020	2019
	US$'000	*US$'000*
(a) Finance costs		
Interest on discounted bills	**564**	856
Interest on lease liabilities	**17**	–
	581	856
(b) Staff costs		
Salaries, wages and other benefits	**756**	717
Contributions to defined contribution retirement plan	**19**	19
	775	736
(c) Other items		
Cost of inventories	**87,455**	183,305
Operating lease charges in respect of office premises under HKAS 17	**–**	259
Depreciation on property, plant and equipment	**1**	7
Depreciation on right-of-use assets	**195**	–
Auditors' remuneration	**43**	94

6. INCOME TAX

No provision for Hong Kong Profits Tax had been made for the years ended 31 March 2020 and 2019 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020	2019
	US$'000	*US$'000*
Loss before taxation	**(689)**	(1,476)
Notional tax on loss before taxation, calculated at 16.5% (2019: 16.5%) applicable to loss in the jurisdictions concerned	**(113)**	(243)
Tax effect of non-taxable income	**(2)**	(6)
Tax effect of non-deductible expenses	**43**	78
Tax effect of tax losses not recognised	**72**	171
Income tax	**–**	–

Deferred tax assets not recognised

The Group has not recognised tax losses of US$15,758,000 (2019: US$15,326,000) as deferred tax assets as it is not probable that sufficient taxable profits will be available to allow the tax losses to be utilised in the foreseeable future. The tax losses do not expire under current tax legislation.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of the Company of US$689,000 (2019: US$1,476,000) and the weighted average of 344,921,171 ordinary shares (2019: 342,116,934 ordinary shares) in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2020 has been adjusted to reflect the effect of rights issue during the year ended 31 March 2020 but there is no impact on the respective calculation before the date of rights issue as there is no bonus element in such rights issue.

(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 2020 and 2019 as there were no dilutive potential ordinary shares during that years.

8. TRADE AND OTHER RECEIVABLES

	2020	2019
	US$'000	*US$'000*
Trade debtors and bills receivable	**14,702**	20,501
Prepayments and other receivables	**15,661**	12,839
Less: Impairment on prepayments and other receivables	**(11,064)**	(11,064)
	19,299	22,276

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

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

As at 31 March 2016, the unutilised prepayments and other receivables amounted to US$11,704,000. The directors reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. Due to the continuing downturn of coal market, the low demand of coal and minimal utilisation of the prepayments, and the Group's efforts in negotiation with the Original Supplier and New Supplier to secure the delivery of thermal coal under the terms of the Original Agreements as amended by the Deed, as well as demand for repayment which were in vain, the directors considered that there was significant uncertainty as to the ability of the Group to recover the balance of the prepayments through either utilisation from future purchases or repayment of the prepayments. Accordingly, a full impairment loss was recognised in the consolidated statement of comprehensive income during the year ended 31 March 2016.

In December 2016, the Group restructured the rights and obligations under the Original Agreements amended by the Deed, through a series of contracts signed and exchanged with the relevant parties (the "New Agreements"), details of which were disclosed in the announcement of the Company dated 12 December 2016. Under the New Agreements, the remainder of the unutilised prepayments are to be utilised on an agreed basis against each purchase, either through an application of the prepayment towards purchases or by cash payment to the Group from the Original Supplier, in each case with an annual minimum repayment of US$2,000,000. During the year ended 31 March 2017, unutilised prepayments and other receivables in total of US$640,000 were recovered from the Original Supplier. Accordingly, the impairment loss recognised in prior year was reversed and credited in the consolidated statement of comprehensive income for the year ended 31 March 2017 to the extent of the actual amount recovered.

No further prepayments and other receivables have been utilised or recovered from the Original Supplier during the years ended 31 March 2020 and 2019, with the result that the Original Supplier is in breach of its minimum annual repayment obligations of US$2,000,000 under the New Agreements. As at 31 March 2020 and 2019, approximately US$11.1 million of the prepayments remains outstanding which was fully impaired. The directors will continue to negotiate with the Original Supplier to seek and consider all of their options to recover the prepayments, whether through supply of coal or otherwise, including potential legal action.

Included in "Trade and other receivables" are trade debtors and bills receivable 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:

	2020	2019
	US$'000	*US$'000*
Within 1 month	**7,780**	12,676
More than 1 month but within 3 months	**6,888**	4,045
More than 3 months but within 6 months	**34**	3,780
	14,702	20,501

The credit terms offered to customers of coal and other trading business are negotiated on a case-by-case basis. Irrevocable letters of credit, up to a tenor of 150 days (2019: 150 days) after the receipt of required documents by nominated banks, are usually required not later than 14 days prior to the expected date of vessel's arrival at loading port as stipulated in the sales agreements.

9. TRADE AND OTHER PAYABLES

	2020	2019
	US$'000	*US$'000*
Trade creditors	**11,150**	15,111
Other payables and accrued expenses	**1,871**	756
	13,021	15,867

All of the trade and other payables are expected to be settled 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:

	2020	2019
	US$'000	*US$'000*
Within 1 month	**11,150**	15,111

10. DISCOUNTED BILLS WITH RECOURSE

Bills discounted with banks at an effective interest rate ranging from 3.31% to 3.86% (2019: 3.41% to 4.12%) per annum as at 31 March 2020 have maturity profiles of no more than 90 days.

11. EVENTS AFTER THE REPORTING PERIOD

The spread of COVID-19 subsequent to year end, including but not limited to countries in South-East Asia, Europe and North America, has an adverse impact on market sentiments and posed challenge to the global economy. At the date of this announcement, the Group does not expect these events have any significant adverse impacts to the Group's financial position as at 31 March 2020 and the application of going concern for the preparation of the consolidated financial statements. The Group will pay close attention to the development of COVID-19 outbreak and take all possible and reasonable measures to mitigate the effect on the Group's operations.

12. CONTINGENT LIABILITIES

At 31 March 2020, the Group is involved in a legal claim relating to the disposal of certain former subsidiaries the operation of which was discontinued.

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

On 23 March 2016, Landway filed a claim against the Company, which alleged that a former director of the Company made certain misrepresentations in the Disposal and filed a claim of US$700,000 plus interest against the Company in the High Court of Hong Kong. The Company filed its defence on 24 May 2016 which denied the allegations made by Landway. On 7 September 2016, the Company issued a summons applying to strike out Landway's claim. The strike out application was unsuccessful as Landway amended its statement of claim on 13 March 2017 in response to the strike out application. The Company filed an amended defence on 28 April 2017 accordingly. Landway and the Company filed and exchanged factual witness statements on 20 March 2018. Landway further amended its statement of claim on 8 November 2018.

The trial of the action is due to commence on 7 December 2020. Based on the available evidence and the advice received from the Company's legal advisor as to the merits of Landway's claim, the directors of the Company are of the opinion that no provision in respect of the said claim is required to be made.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: Nil).

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "AGM") of the Company will be held on Wednesday, 9 September 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company, the register of members of the Company will be closed from Friday, 4 September 2020 to Wednesday, 9 September 2020 (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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 3 September 2020.

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to mainly operate its coal trading business during the year ended 31 March 2020. The customers of the Group are primarily State-owned and privately owned Chinese companies (or their offshore subsidiaries) whose businesses include trading or sales of commodities, including coal, and import and export operations. As a result of the Group supplying trading customers, the ultimate consumer of the supplies is commonly unknown to the Group.

The Group's revenue for the year ended 31 March 2020, which was generated from its coal and other trading business, decreased to US$99.9 million as compared with US$198.3 million for the year ended 31 March 2019. The Group's gross profit from its coal and other trading business was US$1.3 million for the year ended 31 March 2020 (2019: US$1.3 million).

The Company's policy is not to carry coal inventory. Accordingly, the Group utilises its knowledge of the specifications and quality of the commodity, its contacts both on the demand and supply sides of the market and its assessment of price/price trends to seek to meet its customers' needs by sourcing the supplies at the required quantity, specification and delivery period at the best available price from the Group's suppliers, which include coal mine owners, operators or their agents and offering the same to the Group's customers at an appropriate mark up in price and other settlement terms.

Loss before taxation for the year ended 31 March 2020 was US$0.7 million, representing US$0.2 million of loss from the coal and other trading business, and US$0.5 million of corporate overhead expenses. In comparison, loss before taxation for the year ended 31 March 2019 was US$1.5 million, representing US$0.7 million of loss from the coal and other trading business, and US$0.8 million of corporate overhead expenses.

REVIEW OF OPERATIONS

During the year ended 31 March 2020, the performance of the coal and other trading business has been maintained with revenue of US$99.9 million, a decrease of 49.6% or US$98.4 million, as compared with US$198.3 million for the year ended 31 March 2019. The Group mainly sold coals originated from various countries to Mainland China, with a total volume of approximately 1.82 million metric tonnes ("MT") as compared to approximately 2.81 million MT in previous year. Also, the Group sold copper originated from Chile to Mainland China in a total volume of approximately 0.9 million MT for the current year (2019: Nil).

The gross profit of the Group amounted to approximately US$1.3 million for the year ended 31 March 2020. No material fluctuation was noted as compared to US$1.3 million in the previous year due to the net effect of (i) the decrease in sales volume as abovementioned; and (ii) the improvement of gross profit margin as the Group sought to bargain and achieve better gross profit in its coal trading transactions.

Selling and administrative expenses primarily consisted of employee benefits costs as well as corporate expenses which amounted to approximately US$1.4 million for the current year (2019: US$1.9 million). The decrease in selling and administrative expenses was mainly due to the decrease in legal and professional fees by approximately US$0.4 million incurred in the current year.

Finance costs of US$0.6 million incurred during the year ended 31 March 2020 (2019: US$0.9 million) arose from the bills discounted in trade and the lease liabilities. The decrease in finance costs by approximately US$0.3 million was mainly attributable to the net effect of the decrease in revenue as mentioned above and the increase in interest from lease liabilities.

The Group reduced its loss and recorded loss before taxation of US$0.7million for the year ended 31 March 2020 as compared to loss before taxation of US$1.5 million for the year ended 31 March 2019 mainly due to the combined effect of (i) the decrease in legal and professional fees by approximately US$0.4 million; and (ii) the decrease in finance cost by approximately US$0.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2020, cash and bank balances for the Group amounted to approximately US$10.4 million as compared to US$3.8 million as at 31 March 2019. The increase in cash and bank balances was mainly a result of the completion of a rights issue in March 2020 which generated cash proceeds (net of expenses) of approximately US$6.8 million.

As at 31 March 2020, the Group had no other borrowings except for the discounted bills with recourse amounting to US$3.1 million. No material fluctuation was noted as compared to US$3.0 million as at 31 March 2019. The discounting of bills receivable was a short term trade facility and the underlying bills receivable had maturity periods of 180 days after the receipt of required documents by nominated banks, or less and were covered by corresponding letters of credit.

As at 31 March 2020, the Group's debt to equity ratio, being total debt to total equity was approximately 123% (31 March 2019: 258%).

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal and other trading business, irrevocable letters of credit, up to a tenor of 180 days (2019: 150 days) after the receipt of required documents by nominated banks, are usually required not later than 14 days prior to the expected date of vessels' arrival at loading port. So far, the Group has not experienced any bad debts from its coal and other trading business.

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

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed a rights issue on 26 March 2020, pursuant to which the Company has issued 171,058,467 ordinary shares of the Company of HK$0.01 each as rights shares at HK$0.335 per rights share on the basis of one rights share for every two existing shares held on 2 March 2020. The net proceeds from the rights issue (after deducting the expenses) were approximately HK$52.9 million (equivalent to approximately US$6,826,000) (the "Net Proceeds"). The Company intends to apply approximately HK$47.6 million of the Net Proceeds (representing approximately 90% of the Net Proceeds) for funding trading of coal mainly and also other commodities in the ordinary course of the Group's trading operations in order to enhance its overall trading capacity and the balance of approximately HK$5.3 million (representing approximately 10% of the Net Proceeds) for general working capital purposes (including administrative and operating costs of the Group). None of the Net Proceeds has been utilised as at 31 March 2020 and they are placed in a licensed bank in Hong Kong. The Net Proceeds will be used according to the manner as disclosed in the prospectus of the Company dated 3 March 2020 in respect of the rights issue.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisition, disposal and significant investment during the year ended 31 March 2020.

RISK OF CURRENCY FLUCTUATIONS

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

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

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no capital commitments (2019: Nil).

PROSPECT

Looking forward, the Group considers the global business environment will become more challenging. The Group will continue to face various risks and uncertainties including the continuity of trade war between China and the United States, the global outbreak of coronavirus disease, and the slowdown of China's economy that may adversely affect its business and overall short-term performance. Each of these circumstances singly or together can have negative global economic impacts and contribute to further deterioration of China's economy. The Group expects these developments to result in a reduction in the Group's sales volume and hence its profitability in the short term. In light of this, the Group's strategy is to improve its responsiveness to development of the commodities market (in particular in coal trading, as part of its core operations). To this end, the Group will look into establishing operations at locations outside Hong Kong, to be closer to its customers / suppliers and to consider diversifying its commodities trading business. The Group will closely monitor the impact of the macro issues and trade dispute on its performance, and will carefully plan and develop strategies to manage these factors to provide the best possible results to shareholders in the medium to longer term.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 9 full-time (31 March 2019: 9) 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 bonuses on performance basis and medical insurance.

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

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 under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct governing deals by all Directors in the securities transactions of the Company. 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 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 2020 save for the deviation from the Code Provision A.2.1, details of which will be explained below.

For Code Provision A.2.1, it stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. RUAYRUNGRUANG Woraphanit ("Ms. RUAYRUNGRUANG") has been appointed as the chairlady of the Company (the "Chairlady") and the chief executive officer of the Company (the "Chief Executive Officer"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. RUAYRUNGRUANG and believes that her holding of the positions of the Chairlady and Chief Executive Officer is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the consolidated financial statements of the Group for the year ended 31 March 2020.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in the results announcement have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft audited consolidated financial statements for the year ended 31 March 2020. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the results announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.aresasialtd.com / www.irasia.com/listco/hk/aresasia and the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
ARES ASIA LIMITED
RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 26 June 2020

As at the date of this announcement, the executive Directors are Ms. RUAYRUNGRUANG Woraphanit (Chairlady) and Mr. LAI Yi-Chun (or Mr. Robert LAI), and the independent non-executive Directors are Mr. CHANG Jesse, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney.