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

2018/2019
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Ares Asia Limited
(Incorporated in Bermuda with limited liability)

DIRECTORS

Executive Directors

Ms. RUAYRUNGRUANG Woraphanit
(Chairlady and Chief Executive Officer)
Mr. LAI Yi-Chun *(Appointed on 1 November 2018)*
Mr. WANG Chih-Wei *(Resigned on 30 July 2018)*

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. LEUNG Pui Ki

AUTHORISED REPRESENTATIVES

Ms. RUAYRUNGRUANG Woraphanit
Ms. LEUNG Pui Ki

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITOR

KPMG
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong Law
Reed Smith Richards Butler

As to Bermuda Law
Conyers Corporate Services (Bermuda) Limited

PRINCIPAL BANKERS

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

COMPANY WEBSITES

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

STOCK CODE

645

CHAIRLADY’S STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Ares Asia Limited (the “Company”, together with its subsidiaries, the “Group”), I am pleased to present the annual report of the Company for the year ended 31 March 2019.

Faced with negative impacts from global economic factors, including ongoing trade disputes between the United States (the “US”) and China and slowing down of China’s economic growth, we continue to demonstrate a consistent and solid track record in achieving stable sales performance by implementing clear strategies to balance short-term results and long-term goals. The Group has achieved steady sales performance and also has enhanced gross profit margin in this financial year. During the year ended 31 March 2019, the Group recorded (i) revenue of approximately US$198.3 million, no material fluctuation, as compared with the previous financial year; and (ii) gross profit of approximately US$1.3 million, an increase of approximately 221.3%, as compared with the previous year. In addition, we improved our internal cost control to decrease the Group’s salaries cost by approximately US$0.2 million and office rental expense by approximately US$0.1 million. The Group reduced its net loss to record a consolidated net loss attributable to shareholders of the Company (the “Shareholders”) of approximately US$1.5 million for the year ended 31 March 2019, a decrease of approximately 40.4%, as compared with the previous year.

Looking ahead, the market will remain challenging in the view of the uncertain business environment due to the risk of the US-China trade war which may exacerbate geopolitical tensions and lead to negative impacts on the global economy. The Group is actively working to mitigate any potential impacts over the long term. We will closely monitor the impact of the macro issues and trade disputes on our performance, and will cautiously plan and set our strategies to manage these factors with the aim to provide the best possible results to our Shareholders.

On behalf of the Board, I would like to extend my sincere gratitude to our Shareholders, business partners, customers, suppliers, bankers, management and employees for their continuous support and valuable contribution to the Group.

RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 26 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to mainly operate its coal trading business during the year ended 31 March 2019. 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 2019, which was generated from its coal and other trading business, amounted to US$198.3 million which was very close as compared with US$198.7 million for the year ended 31 March 2018.

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 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. In comparison, loss before taxation for the year ended 31 March 2018 was US$2.5 million, representing US$1.5 million of loss from the coal and other trading business, and US$1.0 million of corporate overhead expenses.

REVIEW OF OPERATIONS

During the year ended 31 March 2019, the performance of the coal and other trading business has been maintained with revenue of US$198.3 million, only representing a year-on-year slight decrease of 0.20% or US$0.4 million. The Group sold coals originated from various countries to Mainland China, with a total volume of approximately 2.81 million metric tonnes ("MT") as compared to approximately 2.82 million MT in previous year.

Selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US$1.9 million for the current year (2018: US$2.2 million).

Finance costs of US$0.9 million incurred during the year ended 31 March 2019 (2018: US$0.7 million) arose from the bills discounted in trade. Increase in finance costs by approximately US$0.2 million was mainly attributable to increase in transactions that utilized maximum tenor of 150 days the Group provided to its customers.

The Group reduced its loss to record loss before taxation of US$1.5 million for the year ended 31 March 2019 as compared to loss before taxation of US$2.5 million for the year ended 31 March 2018 mainly due to net effect of (i) increase in gross profit by approximately US$0.9 million; (ii) decrease in salaries cost by approximately US$0.2 million; (iii) increase in finance cost by approximately US$0.2 million; and (iv) decrease in office rental expense by approximately US$0.1 million, as compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2019, cash and bank balances for the Group amounted to approximately US$3.8 million as compared to US$8.4 million as at 31 March 2018. The decrease in cash was primarily as the result of the payment for daily operations and trade activities during the year ended 31 March 2019.

As at 31 March 2019, the Group had no other borrowings except for the discounted bills with recourse amounting to US$3.0 million as compared to US$49.5 million as at 31 March 2018. The decrease was due to that trading activities conducted in March 2019 were not yet discounted. The discounting of bills receivable was a short term trade facility and the underlying bills receivable had maturity periods of 90 days after the receipt of required documents by nominated banks, or less and were covered by corresponding letters of credit.

As at 31 March 2019, the Group's debt to equity ratio, being total debt to total equity was approximately 258% (31 March 2018: 669%).

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 150 days (2018: 90 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.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisition, disposal and significant investment during the year ended 31 March 2019.

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.

COMMITMENTS

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2019	2018
	$'000	*$'000*
Within 1 year	**210**	109
After 1 year but within 5 years	**215**	—
	425	109

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

During the year ended 31 March 2019, the China's economy faced a confluence of risks, the trade war between China and the United States, which were severely disrupt economic activities and inflicted significant damage on longer-term development prospects. These risks included an escalation of trade disputes and a gradual tightening of global financial conditions. Faced the unstable economic environment, the Group had still made stable revenue for the year ended 31 March 2019 as compared with the previous financial year.

Looking ahead, the market will become more challenging during trade wars and the China's economic activities may slow down. However, the Group has noted that cost advantages of imported coal and an increased demand for coal from coastal power plants in Guangdong-Hong Kong-Macao Greater Bay Area, which may lead to recovery on the coal market. The Group will actively work to reduce any potential impacts in the long run, such as strengthening our marketing efforts. We will closely monitor the impact of the macro issues and trade dispute on our performance, and will minimize the impact of trade wars.

The Group 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 2019, the Group had a total of 9 full-time (31 March 2018: 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.

DIRECTORS' REPORT

The Directors are pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

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 coals purchased from various countries to the People's Republic of China. The Group commenced coal trading in October 2012. 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 56 of this annual report.

The Directors did not recommend the payment of any final dividend in respect of the year ended 31 March 2019.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" set out on page 3 and pages 4 to 7 of this annual report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk, credit risk, and liquidity risk. The risk management policies and practices of the Group are shown in note 18 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group is also committed to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE *(Continued)*

The Company's environmental, social and governance report are set out in the Environmental, Social and Governance Report on pages 39 to 50 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations in material respects that have a significant impact on the business and operation of the Group. During the reporting year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the reporting year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders except for the events mentioned in note 12 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the memorandum and bye-laws ("Bye-laws") of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the reporting year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Wednesday, 4 September 2019 to Monday, 9 September 2019 (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 Tuesday, 3 September 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 10 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company are set out in note 17 to the consolidated financial statements.

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 2019 amounted to US$6,798,000 (2018: US$8,172,000).

Details of the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 58 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 106 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 under review.

DIRECTORS

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

Executive Directors:

Ms. RUAYRUNGRUANG Woraphanit *(Chairlady and Chief Executive Officer)*
Mr. LAI Yi-Chun *(Appointed on 1 November 2018)*
Mr. WANG Chih-Wei *(Resigned on 30 July 2018)*

DIRECTORS *(Continued)*

Independent non-executive Directors:

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. CHANG Jesse, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney, will retire as Directors by rotation and, being eligible, offered themselves for re-election at the AGM.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. LAI Yi-Chun, will retire as Director and, being eligible, offered himself for re-election at the AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors of the Group are set out in the "Biographical Details of Directors" section on pages 19 to 20 of this annual report.

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

The changes in Directors' information subsequent to the date of interim report for the period ended 30 September 2018, as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"), are set out below:

Name of Director	Detail of Change
Mr. LAI Yi-Chun	Appointed on 1 November 2018 as an executive Director.

DIRECTORS' EMOLUMENTS

The Directors' emoluments for the year ended 31 March 2019 are set out in note 7 to the consolidated financial statements.

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual's and the Group's performance). The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

DIRECTORS' REPORT

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' INTERESTS IN CONTRACTS

Other than as disclosed under the section headed "Material Related Party Transactions" in note 21 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 reporting year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the reporting year and up to the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the 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.

CHARITABLE DONATIONS

The Group did not make any charitable donation during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting year.

RETIREMENT BENEFITS SCHEME

Details relating to the Group's retirement benefits scheme are set out in note 16 to the consolidated financial statements.

SHARES ISSUED

Details of the shares issued in the year ended 31 March 2019 are set out in note 17 to the consolidated financial statements.

SHARE OPTION SCHEME

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

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

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

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. The acceptance of an offer of the grant of the option must be made within 15 days from the date of grant.

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

There was no outstanding share option under the Share Option Scheme as at 1 April 2018 and 31 March 2019 respectively.

No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" above and "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the reporting year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 March 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

As at 31 March 2019, to the best knowledge of the Directors, the following persons/corporations (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO:

Long position in shares of the Company

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

Note:

Reignwood is wholly-owned by Dr. Chanchai RUAYRUNGRUANG.

Save as disclosed above, as at 31 March 2019, no person, including the Directors and chief executive of the Company, had interest or short position in the shares, underlying shares and debentures of the Company which was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the reporting year is disclosed in note 21 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Group had the following continuing connected transaction during the reporting year.

Lease of office premises

On 19 September 2018, Ares Repco Limited ("Ares Repco"), an indirect wholly-owned subsidiary of the Company, as lessee, entered into a lease renewal agreement (the "Lease Renewal Agreement") with Reignwood International Investment (Group) Company Limited ("Reignwood International Investment"), a direct wholly-owned subsidiary of Reignwood, as lessor, in respect of the renewal of the lease of the premises (the "Premises") situated at Level 96, International Commerce Centre, 1 Austin Road West, Hong Kong for a term of 3 years commencing from 16 July 2018 and expiring on 15 July 2021 at a monthly rent of HK$135,720, exclusive of rates, air-conditioning charges and property management fee, subject to the terms and conditions of the Lease Agreement.

Dr. Chanchai RUAYRUNGRUANG owns the entire share capital of Reignwood, which in turn holds 182,459,527 shares in the capital of the Company, representing approximately 53.33% of the then total issued share capital of the Company on 16 July 2018, and is the controlling shareholder of the Company. The lessor is a direct wholly-owned subsidiary of Reignwood and, therefore, an associate of Dr. Chanchai RUAYRUNGRUANG and a connected person of the Company. The transactions contemplated under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The annual cap of the aggregate amount payable by Ares Repco to Reignwood International Investment set by the Board for the renewal of the lease of the Premises for the period from 16 July 2018 to 31 March 2019 is HK$1,380,000. During the year ended 31 March 2019, the total amount incurred by Ares Repco to Reignwood International Investment pursuant to the Lease Renewal Agreement was HK$2,303,442. Further details of this continuing connected transaction are set out in the announcement of the Company dated 19 September 2018.

The independent non-executive Directors have reviewed the aforesaid continuing connected transaction and confirmed that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

CONTINUING CONNECTED TRANSACTION *(Continued)*

Lease of office premises *(Continued)*

The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules as follows, a copy of the auditor's letter has been provided by the Company to the Stock Exchange:

(1) nothing has come to the auditor's attention that causes them to believe that the continuing connected transaction has not been approved by the Board;

(2) nothing has come to the auditor's attention that causes them to believe that the continuing connected transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transaction; and

(3) nothing has come to the auditor's attention that causes them to believe that the continuing connected transaction has exceeded the respective maximum aggregate annual value as set by the Company.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

— the largest supplier	21%
— five largest suppliers combined	71%

Sales

— the largest customer	52%
— five largest customers combined	97%

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.

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 2019 until the date of this annual report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 38 of this annual report.

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 and the external auditor the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2019.

AUDITOR

KPMG, the auditors of the Company, will retire at the AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as independent auditor of the Company will be proposed at the AGM.

On behalf of the Board
RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 26 June 2019

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. RUAYRUNGRUANG Woraphanit, aged 29, obtained her Bachelor's Degree in Advertisement from Peking University in the People's Republic of China (the "PRC") in 2013. Ms. RUAYRUNGRUANG is the daughter of Dr. Chanchai Ruayrungruang, the beneficial owner of Reignwood International Holdings Company Limited ("Reignwood") which is the controlling shareholder of the Company, interested in approximately 53.33% of the total issued share capital of the Company as of the date of this annual report. Ms. RUAYRUNGRUANG, who is currently a director of several subsidiaries of Reignwood and companies owned by her family, was responsible for handling refinancing issues, maintaining relationships with banking partners, delivery of Reignwood's strategic vision outside of the PRC, and managing European investment portfolio during the past five years. She joined the Company as an executive Director, the Chairlady, the Chief Executive Officer, an authorised representative of the Company (the "Authorised Representative") under the Listing Rules and also the authorized representative of the Company for accepting service of process and notices on behalf of the Company in Hong Kong (the "Process Agent") as required under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 5 January 2018. She is also currently a director of several subsidiaries of the Company.

Mr. LAI Yi-Chun (also known as "Robert Lai"), aged 52, graduated from Feng Chia University in the Republic of China in 1990 with a Bachelor's Degree of Science in Land Management. Mr. LAI obtained his Master's Degree in Business Administration from the USC Marshall School of Business in the USA in 1993. Mr. LAI has over 25 years of experience in financial analysis, fund management and project management especially in real estate. Mr. LAI is currently a deputy director and director of the international investment department of Reignwood Investment (China) Ltd., a wholly-owned subsidiary of Reignwood, responsible for pre-project management, financial analysis and modeling and supervising investment projects and implementing investment strategies since October 2010. He joined the Company as an executive Director on 1 November 2018. Mr. LAI is also a director of several subsidiaries of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHANG Jesse, aged 64, 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 an independent non-executive Director on 9 June 2014.

Mr. NGAN Hing Hon, aged 62, is currently the audit partner of ZHONGHUI ANDA CPA Limited. Mr. NGAN graduated from the Chinese University of Hong Kong with a bachelor of business administration. He is an associate and practising 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 joined the Company as an independent non-executive Director on 16 February 2011.

Mr. YEUNG Kin Bond, Sydney, aged 45, is currently an executive director, group chief executive director and a member of the nominating committee of GSS Energy Limited (listed on the Singapore Stock Exchange) since 31 October 2014. Mr. YEUNG is also a director of Giken Sakata (S) Limited, Giken Precision Engineering Pte Ltd, Changzhou Giken Precision Co Ltd, GSS Energy Investment Holdings Limited, Nusantara Resources Pte Ltd, GSS Energy Sumatra Limited, GSS Energy Trembul Limited, GSS Energy Oilfield Management Limited, and a commissioner of PT Giken Precision Indonesia and PT Sarana GSS Trembul, all are subsidiaries of GSS Energy Limited. Mr. YEUNG is the founder director and shareholder of Roots Capital Asia Limited, a substantial shareholder of GSS Energy Limited. Mr. YEUNG has many years of experience in the financial industry, starting his career in the institutional equity division at Morgan Stanley New York and as the managing director of international trading at Van der Moolen, (listed on the New York Stock Exchange) a US securities specialist firm. Mr YEUNG is an active member of the Rotary Club in Singapore. He was an independent non-executive director of China Gaoxian Fibre Fabric Holdings Limited (listed on the Singapore Stock Exchange) from 18 September 2013 to 6 January 2016. He joined the Company as an independent non-executive Director on 16 February 2011.

CORPORATE GOVERNANCE REPORT

The Company 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 2019 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.

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 shareholder value.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board composition and role *(Continued)*

As at the date of this annual report, the Board consists of five members, including two executive Directors and three independent non-executive Directors. There is no financial, business, family or other material/relevant relationship amongst the Directors except Ms. RUAYRUNGRUANG is the daughter of Dr. Chanchai Ruayrungruang, the beneficial owner of Reignwood which is the controlling shareholder of the Company. There were changes in members of the Board during the year ended 31 March 2019 and up to the date of this annual report as below:

— Mr. WANG Chih-Wei has resigned on 30 July 2018 as an executive Director.

— Mr. LAI Yi-Chun has been appointed on 1 November 2018 as an executive Director.

The Board as a whole has achieved an appropriate balance of skills and experience to meet the requirements of the Group's business. The biographical details of the Directors and the relationships amongst them, if any, are set out in the section headed "Biographical Details of Directors" section on pages 19 to 20 of this annual report.

The Board has delegated the day-to-day responsibility to the executive Directors who perform their duties under the leadership of the Chief Executive Officer, while reserving certain key matters for the approval by the Board. The types of decisions to be taken by the Board include but not limited to annual and interim period financial reporting and control, equity fund raising, declaration of interim dividend and making recommendation of final dividend or other distributions, notifiable transactions under Chapters 14 and 14A of the Listing Rules and making recommendation for capital reorganization or scheme arrangement of the Company. During the year ended 31 March 2019, Ms. RUAYRUNGRUANG, the Chairlady and the Chief Executive Officer, was delegated with the authority and responsibility to maintain the Group's business and day-to-day operations, and to implement the Group's strategy with respect to the achievement of its business objectives. Ms. RUAYRUNGRUANG was also delegated with the authority and responsibility to take up the overall management of the Group.

During the year ended 31 March 2019, 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 Directors have been keeping abreast of their responsibilities as a director of a listed company and of the conduct, business activities and development of the Group. Management provides appropriate and sufficient information to the Directors and the Board committees' members in a timely manner to keep them apprised of the latest development of the Group. The Board and each of the Directors also have separate and independent access to the management whenever necessary.

THE BOARD *(Continued)*

Directors' and officers' liability insurance

The Company has arranged appropriate insurance coverage for the Directors' and officers' liabilities arising from the businesses of the Group. The insurance coverage is reviewed by the management on an annual basis.

Board meetings

The Board meets regularly and at least four times a year to review and discuss the overall strategy as well as the operation and financial performance of the Group. A total of four Board meetings were held during the year ended 31 March 2019. Additional meetings with reasonable notice will be held as and when the Board considers appropriate. Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of the Directors. Notice of at least 14 days is given to all the Directors for regular Board meetings, and all the Directors are given an opportunity to include matters for discussion in the agenda.

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

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

THE BOARD *(Continued)*

Directors' attendance at meetings

The attendance records of the Directors at the Company's Board meetings and annual general meeting held during the year ended 31 March 2019 were as follows:

Name of Directors	Number of Board meetings attended/held	Annual general meeting on 21 September 2018 attended/held
Executive Directors		
Ms. RUAYRUNGRUANG Woraphanit	4/4	1/1
Mr. WANG Chih-Wei *(resigned on 30 July 2018)*	2/2	N/A
Mr. LAI Yi-Chun *(appointed on 1 November 2018)*	2/2	N/A
Independent non-executive Directors		
Mr. NGAN Hing Hon	4/4	1/1
Mr. YEUNG Kin Bond, Sydney	4/4	1/1
Mr. CHANG Jesse	4/4	1/1

Company Secretary

Ms. LEUNG Pui Ki ("Ms. LEUNG"), being a professional corporate service provider, was appointed as the Company Secretary on 19 February 2016. Ms. RUAYRUNGRUANG Woraphanit, the Chairlady and Chief Executive Officer, is the person whom Ms. LEUNG can contact for the purpose of Code Provision F.1.1 of the CG Code. During the year ended 31 March 2019, Ms. LEUNG has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training. Ms. LEUNG 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.

Directors' securities transactions

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 2019.

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 Code Provision 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 2019, 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

In accordance with the Company's Bye-laws, all the Directors 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 Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors are appointed for a term of two years and 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.

BOARD COMMITTEES

The Company has established the nomination committee of the Company (the "Nomination Committee"), the remuneration committee of the Company (the "Remuneration Committee") and the Audit Committee to oversee particular aspects of the Group's affairs. Each of these committees has adopted specific terms of reference covering its duties, authorities and functions which will be reviewed by the Board from time to time. The terms of reference of these committees have been posted on the Company's website at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia. All the Board committees adopt as far as practicable, the procedures and arrangement of the Board meetings in relation to the conduct of meetings, notice of meetings and recording of minutes. Further details of each of these committees are set out below:

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee is composed of three independent non-executive Directors. The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors. Where vacancies on the Board exist, the Nomination Committee (or the Board before the Nomination Committee was established) will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. During the reporting year, Mr. LAI Yi-Chun was appointed as a new executive Director. Mr. LAI was appointed by going through the selection process stated as above.

During the reporting year, one meeting of Nomination Committee was held for, inter alia, considering the retirement, re-election of the Directors and appointment of new Director. The Nomination Committee has also reviewed the board diversity policy of the Company to ensure its effectiveness and considered that the Group has achieved the effectiveness of the board diversity policy during the year ended 31 March 2019.

During the year ended 31 March 2019, the attendance record of the members at the meeting of the Nomination Committee was as follows:

Name of committee members	Number of meetings attended/held
Mr. YEUNG Kin Bond, Sydney *(Committee Chairman)*	1/1
Mr. NGAN Hing Hon	1/1
Mr. CHANG Jesse	1/1

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. During the reporting year, one meeting of Remuneration Committee was held for, inter alia, reviewing the remuneration policy and structure, determining the annual remuneration packages of the Directors and the senior management and considering the remuneration packages of the newly appointed Director. No Director was involved in deciding his/her own remuneration.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the year ended 31 March 2019, the attendance record of the members at the meeting of the Remuneration Committee was as follows:

Name of committee members	Number of meetings attended/held
Mr. CHANG Jesse *(Committee Chairman)*	1/1
Mr. YEUNG Kin Bond, Sydney	1/1
Mr. NGAN Hing Hon	1/1

The Remuneration Committee is mainly responsible for making recommendations to the Board on the policy and structure for the remuneration of Directors and senior management and reviewing and approving any remuneration offered by the Group with reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

Particulars of the Directors' emoluments for the year ended 31 March 2019 are set out in note 7 to the consolidated financial statements.

Pursuant to Code Provision B.1.5, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2019 were as follows:

	Number of employee(s)
HK$Nil to HK$1,000,000	3

BOARD COMMITTEES *(Continued)*

Audit Committee

The Audit Committee is composed of three independent non-executive Directors. The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and considering any questions of resignation or dismissal of such auditor; and reviewing the interim and annual financial statements of the Group as well as supervising the financial reporting process and effectiveness of the risk management and internal control systems of the Group. During the reporting year, two meetings of Audit Committee were held for, inter alia, reviewing the Group's 2017/18 annual results and 2018/19 interim results, the financial reporting and compliance procedures, making recommendation on re-appointment of auditor for the approval of the shareholders in the annual general meeting, reviewing the fees charged by the auditor and reviewing the effectiveness of risk management and internal control system of the Group.

During the year ended 31 March 2019, the attendance record of the members at the meetings of the Audit Committee was as follows:

Name of committee members	Number of meetings attended/held
Mr. NGAN Hing Hon *(Committee Chairman)*	2/2
Mr. YEUNG Kin Bond, Sydney	2/2
Mr. CHANG Jesse	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board has delegated the corporate governance duties to the Audit Committee and the Audit Committee is responsible for performing the corporate governance functions set out in Code Provision D.3.1, which include developing and reviewing the Company's policies and practices on corporate governance (including those on compliance with legal and regulatory requirements), monitoring the Company's compliance with the CG Code and reviewing the disclosures in the Corporate Governance Report.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

Director's Nomination Policy

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedure and criteria for the selection, appointment and re-appointment of directors. The selection criteria that the Nomination Committee has to consider in evaluating and selecting a candidate for directorship include the following:

(a) Contribution to the diversity of the Board in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

(b) Reputation for integrity;

(c) his or her ability to devote sufficient time and attention to the affairs of the Company;

(d) Board Diversity Policy and any measurable objectives adopted for achieving diversity on the Board;

(e) such other perspectives appropriate to the Company's business or as suggested by the Board; and

(f) If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

Director's Nomination Policy *(Continued)*

The procedure for the appointment and re-appointment of a Director is summarised as follows:

(a) Nomination by the Nomination Committee

(i) The Nomination Committee reviews the structure, size and composition (including the balance mix of skills, knowledge and experience) of the Board periodically and makes recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company, pursuant to the criteria set out in the Nomination Policy;

(iii) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(iv) The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment; and

(v) The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

(b) Re-election of Director at Annual General Meeting

(i) In accordance with the Company's articles of association, every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election at each annual general meeting;

(ii) The Nomination Committee shall review the overall performance and contribution of the retiring director to the Company. The Nomination Committee shall also review the expertise and professional qualifications of the retiring director, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in the Nomination Policy;

(iii) Based on the review made by Nomination Committee, the Board shall make recommendations to shareholders on candidates standing for re-election or re-appointment at the annual general meeting of the Company, and provide the available biographical information of the retiring directors in accordance with the Listing Rules to enable shareholders to make the informed decision on the re-election of such candidates at annual general meeting of the Company.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

Director's Nomination Policy *(Continued)*

(c) Nomination by shareholders

The shareholders of the Company may propose a person for election as a director in accordance with the bye-laws of the Company and applicable law, details of which are set out in the "Procedures for shareholders to propose a person for election as a Director" on the Company's website at www.aresasialtd.com and irasia.com at www.irasia.com/listco/hk/aresasia and paragraph "Shareholders' Right" in the Corporate Governance Report on page 36.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy of the Company (the "Board Diversity Policy") on 16 August 2013 which sets out the approach to the diversity on the Board.

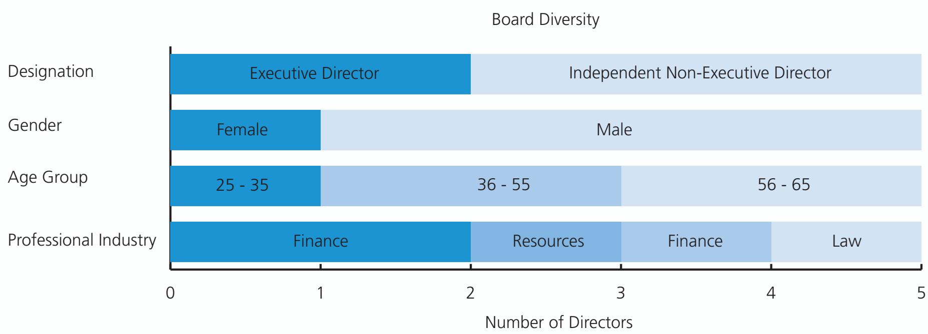
Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board's composition under major diversified perspectives was summarised as follows:



BOARD DIVERSITY POLICY *(Continued)*

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company shall comply with the requirements on board composition under the Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Board has achieved the measurable objectives in the Board Diversity Policy for the reporting year.

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, inside information 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.

Monthly business and financial reports are prepared by the Group's finance department with a view to providing the Board and the management with timely and reliable financial/operational data and information to ensure that they fully understand the financial position and operating conditions of the Group all the time.

The annual 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 2018 and for the year ended 31 March 2019, 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 auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 51 to 55 of this annual report.

AUDITOR'S REMUNERATION

The fee paid and payable to KPMG, the independent auditor of the Company, in respect of audit services provided to the Company for the year ended 31 March 2019 amounted to approximately US$94,000 (2018: US$94,000). No non-audit services were provided for the year ended 31 March 2019 (2018: Nil).

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain a high level of transparency in communicating with shareholders and investors. The Company's policy of shareholder's communication is aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

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 meetings 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.

At the annual general meeting held on 21 September 2018, the whole Board have attended the said annual general meeting to answer questions of the shareholders of the Company.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company Secretary may be sent by post to the Company's head office and principal place of business in Hong Kong at Level 96, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Dividend policy

The dividend policy of the Company (the "Dividend Policy") was adopted by the Board and became effective on 1 January 2019.

The Dividend Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. The Board endeavors to strike a balance between the shareholders' interests and prudent capital management with a sustainable dividend policy.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS *(Continued)*

Dividend policy *(Continued)*

The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the Group's current and future operations;
- the Group's earnings;
- the Group's financial condition;
- the Group's cash requirements, expenditure and availability;
- the Group's capital expenditure;
- the Group's investment requirements;
- the Group's expected working capital requirements and future expansion plans;
- the Group's business conditions and strategies;
- the interests of shareholders;
- the general business conditions and strategies;
- the general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- any restrictions on payment of dividends that may be imposed by the Group's lenders; and
- any other factors that the Board may consider to be relevant.

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Bermuda Companies Act and the bye-laws of the Company. Any final dividends declared by the Company must be approved by an ordinary resolution of the shareholders of the Company at an annual general meeting and must not exceed the amount recommended by the Board.

The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

There is no assurance that dividends will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, there had been no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

To safeguard the Company's shareholders' rights and interests, separate resolutions are proposed at 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 poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and the Company on the same day of the poll.

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 at the head office of the Company 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, 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.

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for shareholders to put forward proposals at general meetings *(Continued)*

The requisition signed by all the requisitionists must be deposited at the head 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 a Director

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

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing though the secretarial department of the Company with the contact details set out below:

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

E-mail : ir@aresasialtd.com

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group and for reviewing their effectiveness. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company is committed to implement a stricter and more regulated internal control and risk management procedures in the new financial year. In the future, the Group will conduct regular review of the Group's internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

The Board considers the Group's risk management and internal control systems are effective.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group include:

- to strengthen the Company's risk management and internal control in compliance with the Listing Rules requirements;

- to establish and constantly improve the risk management and internal control systems; and

- to keep baseline risks within the acceptable range.

THREE-TIER RISK MANAGEMENT APPROACH

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The finance department, as the second line of defence, defines rule sets and models, oversees and reports risk management matters to the Board. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Board together with audit committee of the Company, with the professional advice and opinions from the external professional Company by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defence are effective through constant inspection and monitoring. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

PRINCIPLES OF INTERNAL CONTROL

The Group's risk management and internal control systems involve five elements as internal environment, risk assessment, control activities, information and communication and internal supervision. The aim of internal control is to reasonably guarantee the compliance of its operation and management with regulations and laws, assets security, and authenticity and integrity of financial report and related information, improve the efficiency and effectiveness of operating activities and promote the realization of development strategy of the Group.

CORPORATE GOVERNANCE REPORT

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO.

The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the requirements of SFO;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Group is delighted to present the Environmental, Social and Governance Report ("ESG"). This report aims at enhancing stakeholders' recognition of the Group's performance in terms of environment and society and understanding of the Group's strategy of sustainable development.

ESG is wide-ranging with a great impact not only on a company's long-term business development but also on the general society. A good ESG performance is indispensable for a company's long-term success and sustainable development. The Directors of the Group had examined the Group's corporate governance practices and hereby confirmed that the Group had complied with all the provisions set forth in Appendix 27 to the Listing Rules throughout the financial year ended 31 March 2019.

The Group's sustainable development governance focuses on compliance with the applicable environmental and social laws/regulations in the regions where it operates. The Group's policies of sustainable development governance are formulated by its relevant departments according to actual needs and applicable laws and their implementation is subject to the supervision and guidance from the Group's management.

The Group is grateful for the support from stakeholders including shareholders, employees, suppliers, customers, environment and community. Looking forward, the Group will continue to review and strengthen its ESG performance conscientiously for sustainable business development.

ENVIRONMENTAL POLICY AND RESOURCES MANAGEMENT MEASURES

The Group is committed to uphold high environmental standards to fulfil relevant requirements under applicable laws or regulations during the operation of the business, including but not limited to by reducing energy consumption and pollutant discharge, responsibly using natural resources, and improving waste management. The Group's operations do not create any air pollutant or greenhouse gas emissions directly or generate any hazardous or non-hazardous waste and their main source of energy consumption is electricity. The Group has striven to reduce the direct and indirect impact of its operations on the environment by reducing unnecessary energy consumption in its offices and adopting environmentally friendly policies. For the year ended 31 March 2019, the Group strictly complied with all the applicable environmental laws and regulations and was not subject to any environmental regulatory sanction.

ENVIRONMENTAL POLICY AND RESOURCES MANAGEMENT MEASURES *(Continued)*

Communication with stakeholders

The Group values the opinions of stakeholders and is committed to responding to their concerns and improving the Group's performance in sustainable development by optimizing communication strategies and taking concrete actions. The Group has launched various measures in continuous efforts to improve communication with stakeholders. Below are the communication channels between the Group and stakeholders and their concerned topics.

Stakeholders	Concerned Topics	Communication Channels	Frequency
Investors and shareholders	Corporate governance, financial performance	Shareholders' meeting, financial reports and ESG report	Annually
Suppliers and customers	Product quality and customer service	Company website, E-mails, feedback from employees	Irregular
Employees	Compensation, health and safety, training and development	Regular internal meetings, internal complaint mechanism, training	Irregular
Government	Tax compliance, occupational safety	Proactive liaison with relevant government departments	Irregular
Community	Involvement in cultural and social development	Proactive liaison with the relevant bodies	Irregular

Promotion of Environmental Awareness

It is Group's policy to reduce generation of waste and use electricity economically. To raise employees' environmental awareness, the Group has pasted environmental stickers and posters on the walls of its offices. The Group also encourages waste recycling and management. Measures include, for example, promoting paperless office and document digitalization. Electrical appliances are turned off when not in use to save energy and electricity.

It is Group's policy to urge energy and water resources conservation and to reduce waste generation. The Group has always advanced the implementation of various environmental policies and utilized a series of recovery measures to minimize wastes, including various sorted collections and waste management before delivery of waste to the property management company of buildings for uniform recovery and treatment.

ENVIRONMENTAL POLICY AND RESOURCES MANAGEMENT MEASURES *(Continued)*

Resources Consumption

For the year ended 31 March 2019, the total electricity consumption of the Group was approximately 79,300 kWh, and the total water consumption was approximately 300m^3.

Category of resources	Unit	Value
Electricity	kWh	79,300
Water	m^3	300

Greenhouse Gas Emissions

The Group's carbon emissions come from emissions indirectly related to electricity consumption. In the year, the total carbon emissions of the Group was approximately 50 tonnes.

As the Group does not have vehicles, there is no emissions of SO_x and NO_x .

EMPLOYEE MANAGEMENT

Employment Policy and Labour Standards

The Group strictly complies with all applicable labour laws/regulations and provides equal opportunity for applicants and employees regardless of their age, race, religion, disability, gender, sexual orientation, marital status, social stratum or political background. The Group will investigate into any complaints of discrimination or harassment and take necessary actions. Anti-discrimination is an important part of our recruitment, promotion and dismissal processes. The Group has covered all employees with the applicable retirement scheme according to relevant laws/regulations and provides them with other benefits including medical benefits. The Group's management reviews the Group's internal management systems on a regular basis and updates its employee compensation and benefit policies according to changes in labour laws. The Group continues to strengthen its HR management strategy and provides its employees with career development opportunities, appropriate incentives and a good working environment.

The Group is committed to create an anti-discrimination and anti-harassment workplace for employees. The Group will conduct earnest investigation and take appropriate actions in relation to cases of discrimination and harassment at its discretion. The Group respects human rights and the personal freedoms of its employees. For the year ended 31 March 2019, the Group reviewed all employment records and strictly complied with employment laws/ regulations in the jurisdictions we operated and did not use any child labour or forced labour.

EMPLOYEE MANAGEMENT *(Continued)*

Employees' Background

As at 31 March 2019, the Group had a total of 9 employees and 8 of them 89% possess a bachelor's degree or above. The analysis by age, gender, position and geographic distribution of the Group's employees are as follows:

	Number	Percentage
By Region		
Hong Kong	9	100%
By Gender		
Male	6	67%
Female	3	33%
By Type		
Management	5	56%
Non-management	4	44%
By Age		
Below 31 years old	1	11%
31–50 years old	8	89%

The analysis of staff turnover rate by different categories are as follows:

	Number	Percentage
By Region		
Hong Kong	3	33%
By Gender		
Male	2	22%
Female	1	11%
By Type		
Management	2	22%
Non-management	1	11%
By Age		
Below 31 years old	0	0%
31–50 years old	3	33%

EMPLOYEE MANAGEMENT *(Continued)*

Development and Training

In order to promote employees' career development and solidify the foundation of the Group's sustainable development, the Group encourages employees to take part in relevant courses offered by professional organizations and, through these courses, improve their professional knowledge, skills, techniques and competitiveness and broaden their horizons. The Group invites various outside parties regularly to provide training on various aspects.

For the year ended 31 March 2019, all employees of the Group attended training on various topics, including occupational safety and health, and the coverage of training reached 100%. The average training hours for male/ female/ management/ non-management staff are 5 hours, 10 hours, 4 hours and 10 hours respectively.

Health and Safety

The Group cares for its employees regarding their health and benefits and provide them with insurance plans to enhance their social security and reduce their medical costs. The Group reviews its workplace and safety policies regularly to ensure compliance with applicable laws. All accidents are required to be reported to the Group and subject to evaluation according to the Group's internal processes. The Group briefs new employees on occupational health and safety policy at induction, and communicate the latest occupational safety information on a regular basis. The Group did not experience any industrial accident or injury for the year ended 31 March 2019.

COMPLIANCE OPERATION

Supply Chain Management

The Group is committed to setting up of a long term supply and demand cooperation relationship, strictly selecting suppliers and prudently considering the certifications in relation to product quality and environmental protection. The Group also regularly assesses suppliers to establish a stable supply chain. In case of disqualified supplier, the Group, upon confirmation through inspection, will immediately terminate the contract and solve the problem to ensure product quality. For the year ended 31 March 2019, there are total of 16 suppliers from eight countries/districts:

Australia	5	32%
Singapore	4	25%
Hong Kong	2	13%
Japan	1	6%
Switzerland	1	6%
Indonesia	1	6%
USA	1	6%
Vietnam	1	6%
Total	16	100%

COMPLIANCE OPERATION *(Continued)*

Privacy Protection and Product Responsibility

The Group protects confidentiality of personal information and customer privacy and complies with the Personal Data (PRIVACY) Ordinance (Chapter 486). The Group has formulated detailed codes of conduct for operation and service to protect customer privacy. The Group requires employees to comprehensively comply with instructions on customer data treatment and prohibits them from copying, communicating or disclosing confidential information without authorization to reduce the risk of information leakage.

The Group observes and protects intellectual property rights, and opposes any form of intellectual property infringement. The Group has included this provision in employee handbooks and ensured its strict implementation through corporate policies, systems and processes.

In addition, the Group has a quality control system in place for all the products sold. Product quality is in line with safety and health regulations and remains stable for a long time. The Group has set up a channel for prompt treatment of customers' query, feedback, complaints and relevant after-sales services. The Group values customers' complaints and conducts internal investigation through fair, open and just means. Provisions of investigation results and reasons will be provided to the customers affected and subsequent remedial measures will be taken. The Group also regularly conducts spot check of product quality and reviews the aspects for improvement according to customers' opinions and complaints, so as to improve the product and service level of the Company. For the year ended 31 March 2019, no non-compliance issues are discovered on the aspects of privacy protection and product responsibility.

Anti-corruption

The Group complies with all applicable anti-corruption laws/regulations and subjects the employees to internal code of conduct, requiring them to behave ethically, do things honestly, treat others fairly, respect diversity, comply with all laws, accept accountability and communicate openly. The Group encourages employees, customers, suppliers and other stakeholders to pay attention to and report on any misconduct relating to the Group. For the year ended 31 March 2019, the Group did not receive any report regarding bribery, corruption, extortion, fraud or money laundering case relating to the Group.

Care for Community

The Group is committed to support community development in the areas where it operates and having a positive influence on the local communities. The Group supports community engagement, contribute to cultural and social development, and encourage employees to get involved in volunteer services and community activities to promote cultural diversity and community values. During the year, the employees of the Group made donations to various charitable orgnaisations in Hong Kong.

ESG REPORTING GUIDE CONTENT INDEX

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste	Environmental Policy and Resources Management Measures
KPI A1.1	The types of emissions and respective emissions data.	Environmental Policy and Resources Management Measures
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Policy and Resources Management Measures
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Policy and Resources Management Measures

ESG REPORTING GUIDE CONTENT INDEX *(Continued)*

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Policy and Resources Management Measures
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Policy and Resources Management Measures
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Policy and Resources Management Measures
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the Group's businesses.
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Policy and Resources Management Measures
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Policy and Resources Management Measures

ESG REPORTING GUIDE CONTENT INDEX *(Continued)*

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee Management — Employment Policy and Labour Standards, Employees' Background
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Management — Employment Policy and Labour Standards, Employees' Background
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Management — Employment Policy and Labour Standards, Employees' Background
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Management — Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Employee Management — Health and Safety
KPI B2.2	Lost days due to work injury.	Employee Management — Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Management — Health and Safety

ESG REPORTING GUIDE CONTENT INDEX *(Continued)*

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Management — Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Management — Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Management — Development and Training
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Management — Employment Policy and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Management — Employment Policy and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Management — Employment Policy and Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance Operation — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Compliance Operation — Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Compliance Operation — Supply Chain Management

ESG REPORTING GUIDE CONTENT INDEX *(Continued)*

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Compliance Operation — Privacy Protection and Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No relevant circumstances occurred.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Compliance Operation — Privacy Protection and Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Compliance Operation — Privacy Protection and Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Compliance Operation — Privacy Protection and Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Compliance Operation — Privacy Protection and Product Responsibility

ESG REPORTING GUIDE CONTENT INDEX *(Continued)*

KPIs	Hong Kong Stock Exchange ESG Report Index	Section/Remarks
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operation — Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No relevant circumstances occurred.
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Compliance Operation — Anti-corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Care for community

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

KPMG

OPINION

We have audited the consolidated financial statements of Ares Asia Limited ("the Company") and its subsidiaries ("the Group") set out on pages 56 to 105, which comprise the consolidated statement of financial position as at 31 March 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Revenue recognition

Refer to accounting policy note 1(q) and note 3 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group is principally engaged in the coal trading business. Revenue mainly represents income from the sale of coal sourced from various countries to customers in Mainland China. The Group enters into sale and purchase agreements with customers and, in accordance with the terms of the agreements, revenue is recognised when the control of the coal has been transferred to the customers which is determined to be when the coal is transferred to the ship at the point of origin's anchorage. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the recognition of revenue by management to meet specific targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • evaluating the design, implementation and operating effectiveness of key internal controls which govern revenue recognition; • inspecting sale and purchase agreements, on a sample basis, to understand the terms of delivery and assess whether management recognised the related revenue in accordance with the Group's accounting policies, with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, revenue transactions recorded during the year with the underlying sale and purchase agreements, bills of lading, invoices and bank-in slips for settled balances and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies; • obtaining confirmations, on a sample basis, from major customers of the Group of sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying sale and purchase agreements and bills of lading to determine whether the related revenue had been recognised in the appropriate financial period; • scrutinising all journals affecting revenue raised during the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Ka Nang.

KPMG
Certified Public Accountants

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

26 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 $'000
Revenue	3	**198,348**	198,669
Cost of sales		**(197,079)**	(198,274)
Gross profit		**1,269**	395
Other income	4	**34**	14
Selling expenses		**(162)**	(130)
Administrative expenses		**(1,761)**	(2,077)
Loss from operations		**(620)**	(1,798)
Finance costs	5(a)	**(856)**	(680)
Loss before taxation	5	**(1,476)**	(2,478)
Income tax	6(a)	**—**	—
Loss and total comprehensive income for the year		**(1,476)**	(2,478)
Loss per share	9		
Basic and diluted		**(0.43 cent)**	(0.72 cent)

The notes on pages 60 to 105 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019

(Expressed in United States dollars)

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment	10	**3**	10
		3	10
Current assets			
Trade and other receivables	12	**22,276**	59,030
Cash and bank balances	13(a)	**3,848**	8,443
		26,124	67,473
Current liabilities			
Trade and other payables	14	**15,867**	9,195
Discounted bills with recourse	15	**2,956**	49,508
		18,823	58,703
Net current assets		**7,301**	8,770
NET ASSETS		**7,304**	8,780
CAPITAL AND RESERVES			
Share capital	17(b)	**441**	441
Reserves		**6,863**	8,339
TOTAL EQUITY		**7,304**	8,780

Approved and authorised for issue by the board of directors on 26 June 2019

RUAYRUNGRUANG Woraphanit
Director

Lai Yi-Chun
Director

The notes on pages 60 to 105 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019
(Expressed in United States dollars)

	Share capital $'000	Share premium account $'000	Contributed surplus $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 April 2017	441	172	15,088	(4,443)	11,258
Change in equity for the year ended 31 March 2018:					
Loss and total comprehensive income for the year	—	—	—	(2,478)	(2,478)
Balance at 31 March 2018 and 1 April 2018	441	172	15,088	(6,921)	8,780
Change in equity for the year ended 31 March 2019:					
Loss and total comprehensive income for the year	—	—	—	(1,476)	(1,476)
Balance at 31 March 2019	441	172	15,088	(8,397)	7,304

The notes on pages 60 to 105 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 $'000
Operating activities			
Loss before taxation		**(1,476)**	(2,478)
Adjustments for:			
Depreciation	*5(c)*	**7**	17
Interest income	*4*	**(1)**	(3)
Gain on sale of property, plant and equipment	*4*	**(19)**	—
Finance costs	*5(a)*	**856**	680
Changes in working capital:			
Decrease in trade and other receivables		**36,754**	1,200
Increase in trade and other payables		**6,672**	4,033
Net cash generated from operating activities		**42,793**	3,449
Investing activities			
(Decrease)/increase in pledged bank balances		**4,220**	(4,220)
Payment for the purchase of property, plant and equipment		**—**	(5)
Proceeds from sale of property, plant and equipment		**19**	—
Interest received		**1**	3
Net cash generated from/(used in) investing activities		**4,240**	(4,222)
Financing activities			
Decrease in discounted bills with recourse		**(46,552)**	(6,553)
Interest paid		**(856)**	(680)
Net cash used in financing activities		**(47,408)**	(7,233)
Net decrease in cash and cash equivalents		**(375)**	(8,006)
Cash and cash equivalents at the beginning of the year		**4,223**	12,229
Cash and cash equivalents at the end of the year	*13(a)*	**3,848**	4,223

The notes on pages 60 to 105 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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") ("the Listing Rules"). Significant accounting policies adopted by the Group are disclosed 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. 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 2019 comprise the Company and its subsidiaries.

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

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial result upon initial application at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) ***HKFRS 9, Financial instruments*** *(continued)*

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and bank balances and trade and other receivables).

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration (continued)

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(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(g)(ii)), unless the investment is classified as held for sale.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

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

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
—	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.

(f) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leased assets *(continued)*

(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.

(g) Credit losses and impairment of assets

i. Credit losses from financial instruments

A. Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and bank balances and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

i. ***Credit losses from financial instruments*** *(continued)*

A. Policy applicable from 1 April 2018 (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 150 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

i. Credit losses from financial instruments (continued)

A. Policy applicable from 1 April 2018 (continued)

Significant increases in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

i. *Credit losses from financial instruments* (continued)

A. Policy applicable from 1 April 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(q)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

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

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

— the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

i. *Credit losses from financial instruments* (continued)

A. Policy applicable from 1 April 2018 (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

B. Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

— significant financial difficulties of the debtor;

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

— it becoming 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

i. Credit losses from financial instruments (continued)

B. Policy applicable prior to 1 April 2018 (continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

For trade and other receivables and other financial assets carried at amortised cost, the impairment loss was 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, where the effect of discounting Is material. This assessment was made collectively where these financial assets share similar risk characteristics, such as similar past due status, and had not been individually assessed as Impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Credit losses and impairment of assets *(continued)*

ii. *Impairment of other non-current 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;

— prepayments for supply contracts; and

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

If any such indication exists, the asset's recoverable amount is estimated.

— *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).

— *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 first 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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.

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

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(g)(i)).

(j) Prepayments for supply contracts

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

(k) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Discounted bills with recourse

Discounted bills with recourse are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, discounted bills with recourse are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the year of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(g)(i).

(n) Employee benefits

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.

(o) 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Income tax *(continued)*

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.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Income tax *(continued)*

— 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.

(p) 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.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods.

In the comparative period, revenue was recognised when the customer had accepted the related risks and rewards of ownership.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(g)(i)).

(r) Borrowing costs

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

(s) 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.

(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).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(b) *(continued)*

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(t) 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.

2 ACCOUNTING ESTIMATES

Key sources of estimation uncertainty

Note 18 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Loss allowance on receivables

The Group uses provision matrix to calculate ECL for receivables. The provision matrix is based on the Group's historical credit loss experience (including credit history of its customers) and the current and forecast economic conditions. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as ageing of the receivables, customer credit-worthiness and historical write-off experience. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(ii) Other impairment losses

If circumstances indicate that the carrying value of property, plant and equipment 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.

(iii) 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 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 2019 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 *$'000*
2019	
Customer D	103,890
Customer B	47,567
Customer C	23,884
2018	
Customer B	67,798
Customer C	64,027
Customer A	44,317

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.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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. The geographical location of customers is based on the location at which the goods delivered. The geographical location of the property, plant and equipment is based on the physical location of the asset.

	Revenue from external customers		Property, plant and equipment	
	2019	2018	**2019**	2018
	$'000	*$'000*	***$'000***	*$'000*
Mainland China	**198,182**	198,669	**—**	—
Hong Kong	**72**	—	**3**	10
Others	**94**	—	**—**	—
	198,348	198,669	**3**	10

4 OTHER INCOME

	2019	2018
	$'000	*$'000*
Bank interest income	**1**	3
Gain on sale of property, plant and equipment	**19**	—
Net foreign exchange gain	**14**	11
	34	14

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:

	2019	2018
	$'000	*$'000*
(a) Finance costs		
Interest on discounted bills	**856**	680
(b) Staff costs		
Salaries, wages and other benefits	**717**	932
Contributions to defined contribution retirement plan	**19**	17
	736	949
(c) Other items		
Cost of inventories	**183,305**	183,132
Operating lease charges in respect of properties	**259**	356
Depreciation	**7**	17
Auditors' remuneration	**94**	94

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

No provision for Hong Kong Profits Tax had been made for the years ended 31 March 2019 and 2018 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

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

	2019	2018
	$'000	*$'000*
Loss before taxation	**(1,476)**	(2,478)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(243)**	(408)
Tax effect of non-taxable income	**(6)**	(2)
Tax effect of non-deductible expenses	**78**	89
Tax effect of tax losses not recognised	**171**	321
Actual tax expense	**—**	—

(c) Deferred tax assets not recognised

The Group has not recognised tax losses of $15,326,000 (2018: $14,287,000) 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 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed with reference to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	2019 Total $'000
Executive directors				
RUAYRUNGRUANG Woraphanit	—	105	2	107
Lai Yi-Chun (appointed on 1 November 2018)	—	47	1	48
Wang Chih-Wei (resigned on 30 July 2018)	—	53	1	54
Independent non-executive directors				
CHANG Jesse	23	—	—	23
NGAN Hing Hon	23	—	—	23
YEUNG Kin Bond, Sydney	23	—	—	23
Total	69	205	4	278

7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	2018 Total $'000
Executive directors				
RUAYRUNGRUANG Woraphanit (appointed on 5 January 2018)	—	23	—	23
Wang Chih-Wei (appointed on 5 January 2018)	—	21	—	21
ZHENG Yong Sheng (resigned on 27 December 2017)	—	347	2	349
RAN Dong (resigned on 19 December 2017)	10	—	—	10
Independent non-executive directors				
CHANG Jesse	23	—	—	23
NGAN Hing Hon	23	—	—	23
YEUNG Kin Bond, Sydney	23	—	—	23
Total	79	391	2	472

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2018: four) individuals are as follows:

	2019 $'000	2018 $'000
Salaries and other emoluments	**277**	261
Retirement scheme contributions	**9**	9
	286	270

(Expressed in United States dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the four (2018: four) individuals with the highest emoluments are within the following bands:

	2019 *Number of individuals*	2018 *Number of individuals*
HK$Nil to HK$1,000,000	**4**	4

9 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 $1,476,000 (2018: $2,478,000) and the weighted average of 342,116,934 ordinary shares (2018: 342,116,934 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 2019 and 2018 as there were no dilutive potential ordinary shares during that year.

(Expressed in United States dollars unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 April 2017	32	157	98	287
Additions	—	5	—	5
At 31 March 2018	32	162	98	292
Accumulated depreciation:				
At 1 April 2017	26	141	98	265
Charge for the year	6	11	—	17
At 31 March 2018	32	152	98	282
Net book value:				
At 31 March 2018	—	10	—	10

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements *$'000*	Furniture, fixtures and equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:				
At 1 April 2018	32	162	98	292
Disposals	—	—	(98)	(98)
At 31 March 2019	32	162	—	194
Accumulated depreciation:				
At 1 April 2018	32	152	98	282
Charge for the year	—	7	—	7
Written back on disposals	—	—	(98)	(98)
At 31 March 2019	32	159	—	191
Net book value:				
At 31 March 2019	—	3	—	3

11 INVESTMENTS IN SUBSIDIARIES

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 subsidiaries	Principal activities
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

12 TRADE AND OTHER RECEIVABLES

	2019	2018
	$'000	*$'000*
Trade debtors and bills receivable	**20,501**	58,474
Prepayments and other receivables	**12,839**	11,620
Less: impairment on prepayments and other receivables	**(11,064)**	(11,064)
	22,276	59,030

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 $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.

12 TRADE AND OTHER RECEIVABLES *(continued)*

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 $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 amounted to $11,565,000. The directors reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. Due to the continuing downturn of 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 $2,000,000. During the year ended 31 March 2017, unutilised prepayments and other receivables in total of $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.

12 TRADE AND OTHER RECEIVABLES *(continued)*

No further prepayments and other receivables have been utilised or recovered from the Original Supplier during the years ended 31 March 2019 and 2018, with the result that the Original Supplier is in breach of its minimum annual repayment obligations of $2,000,000 under the New Agreements. As at 31 March 2019, approximately $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:

	2019	2018
	$'000	*$'000*
Within 1 month	**12,676**	8,966
More than 1 month but within 3 months	**4,045**	49,508
More than 3 months but within 6 months	**3,780**	—
	20,501	58,474

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 (2018: 90 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.

13 CASH AND BANK BALANCES

(a) Cash and bank balances comprise:

	2019	2018
	$'000	*$'000*
Pledged bank balances *(note)*	**—**	4,220
Cash at bank and in hand	**3,848**	4,223
	3,848	8,443
Pledged bank balances	**—**	(4,220)
Cash and cash equivalents in the consolidated cash flow statement	**3,848**	4,223

Note: At 31 March 2018, these bank balances were pledged to bank for letters of credit.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

13 CASH AND BANK BALANCES *(continued)*

(b) Reconciliation of liabilities arising from financing activities: *(continued)*

	Discounted bills with recourse *(Note 15)*	
	2019	2018
	$'000	*$'000*
At 1 April	**49,508**	56,061
Changes from financing cash flows:		
Decrease in discounted bills with recourse	**(46,552)**	(6,553)
Interest paid	**(856)**	(680)
Total changes from financing cash flows	**(47,408)**	(7,233)
Other change:		
Interest expenses *(note 5(a))*	**856**	680
Total other change	**(46,552)**	(6,553)
At 31 March	**2,956**	49,508

14 TRADE AND OTHER PAYABLES

	2019	2018
	$'000	*$'000*
Trade creditors	**15,111**	8,458
Other payables and accrued expenses	**756**	737
	15,867	9,195

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

14 TRADE AND OTHER PAYABLES *(continued)*

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

	2019	2018
	$'000	*$'000*
Within 1 month	**15,111**	8,458

15 DISCOUNTED BILLS WITH RECOURSE

Bills discounted with banks at an effective interest rate ranging from 3.41% to 4.12% (2018: 2.41% to 3.03%) per annum as at 31 March 2019 have maturity profiles of no more than 90 days.

16 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group 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$30,000. 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.

17 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:

	Share capital $'000	Share premium account $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
Balance at 1 April 2017	441	172	15,088	(4,440)	11,261
Change in equity for the year ended 31 March 2018:					
Loss and total comprehensive income for the year	—	—	—	(2,476)	(2,476)
Balance at 31 March 2018 and 1 April 2018	441	172	15,088	(6,916)	8,785
Change in equity for the year ended 31 March 2019:					
Loss and total comprehensive income for the year	—	—	—	(1,374)	(1,374)
Balance at 31 March 2019	441	172	15,088	(8,290)	7,411

17 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	2019		2018	
	Number of shares	Amount	Number of shares	Amount
		$'000		*$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**36,000,000,000**	**46,452**	36,000,000,000	46,452
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**342,116,934**	**441**	342,116,934	441

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.

(c) Nature and purpose of reserves

(i) Share premium account

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus arose from the Group reorganisation in prior years.

(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

17 CAPITAL AND RESERVES *(continued)*

(d) Distributability of reserves *(continued)*

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

At 31 March 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to $6,798,000 (2018: $8,172,000).

(e) Dividends

The directors do not recommend the payment of any dividend for the year ended 31 March 2019 (2018: 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 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 2019 was $7,304,000 (2018: $8,780,000).

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 2019 and 2018.

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

18 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'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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and bank balances are limited because the counterparties are banks with a high credit rating, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to 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. The Group does not obtain collateral in respect of trade receivables. 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 12 to the financial statements.

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 debtors and bills receivable as at 31 March 2019 and 2018 were not significant as most of them were covered by letters of credit from reputable banks. It is considered the possibility of default is remote. The Group measures loss allowance on financial assets based on the past loss experience, existing market conditions, coverage of credit insurance as well as forward looking information at the end of each reporting period. Having considered those factors, the Group considered that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2019, and no expected credit loss rate has therefore been disclosed.

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 (if any). The Group does not provide any guarantees which would expose the Group to credit risk.

18 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(g)(i) – policy applicable prior to 1 April 2018). At 31 March 2018, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018 *$'000*
Neither past due nor impaired	58,474

Based on past experience, management believed that no impairment allowance was necessary in respect of trade debtors and bills receivable as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The outstanding trade debtors as at 31 March 2018 were covered by letters of credit which had been accepted by the nominated banks subsequent to the end of the reporting period. No impairment loss was recognised by the Group at 31 March 2018.

(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 2019, the Group has unutilised banking facilities of $80,574,000 (2018: $42,000,000).

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.

18 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group has no significant exposure to interest rate risk.

(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.

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.

	Exposure to foreign currencies (expressed in USD)			
	2019		2018	
	HKD	**RMB**	HKD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Trade and other receivables	**70**	**—**	74	—
Cash and cash equivalents	**37**	**6**	309	6
Trade and other payables	**(166)**	**—**	(215)	—
	(59)	**6**	168	6

A change in the foreign exchange rate of RMB is not expected to have significant impact on the Group's loss after tax and accumulated losses. Therefore, the sensitivity analysis is not prepared. 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.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2019 and 2018 because of the immediate or short-term maturity of the financial instruments.

19 OPERATING LEASE COMMITMENT

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
	$'000	*$'000*
Within 1 year	**210**	109
After 1 year but within 5 years	**215**	—
	425	109

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

20 CONTINGENT LIABILITIES

At 31 March 2019, the Group is involved in a legal claim relating to the disposal of certain former subsidiaries the operation of which were 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 $1,579,000 owed by China Compass to the Company, at a consideration of $3,200,000 ("the Disposal"). The Disposal was completed on 10 April 2014. The directors reviewed the representations and warranties provided by the Company to Landway as set out in the agreement and based on the review and professional advice obtained, it was considered that there was no breach of any of the representations and warranties.

20 CONTINGENT LIABILITIES *(continued)*

On 23 March 2016, Landway filed a claim against the Company, which alleged that a former director of the Company made certain misrepresentations in the Disposal and filed a claim of $700,000 plus interest against the Company in the High Court of Hong Kong. The Company filed its defence on 24 May 2016 which denied the allegations made by Landway. On 7 September 2016, the Company issued a summons applying to strike out Landway's claim. The strike out application 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.

21 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.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2019	2018
	$'000	*$'000*
Salaries and other short-term employee benefits	**274**	470
Retirement scheme contributions	**4**	2
	278	472

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

21 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transaction with a fellow subsidiary

	2019	2018
	$'000	*$'000*
Rental expenses, building management fee and utility charges *(note 21(c))*	**297**	413

(c) Applicability of the Listing Rules relating to connected transaction

The related party transaction in respect of note 21(b) above constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transaction" of the Reports of the directors.

22 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 $'000	2018 $'000
Non-current assets			
Investments in subsidiaries		**—***	—*
Amounts due from subsidiaries		**7,466**	8,953
		7,466	8,953
Current assets			
Prepayments and other receivables		**—**	4
Cash and cash equivalents		**19**	20
		19	24
Current liabilities			
Other payables and accrued expenses		**74**	192
Net current liabilities		**(55)**	(168)
NET ASSETS		**7,411**	8,785
CAPITAL AND RESERVES	17(a)		
Share capital		**441**	441
Reserves		**6,970**	8,344
TOTAL EQUITY		**7,411**	8,785

* The balance represents amount less than $1,000.

(Expressed in United States dollars unless otherwise indicated)

23 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2019, the directors consider the immediate parent and ultimate controlling party of the Group to be Reignwood International Holdings Company Limited, which is incorporated in the British Virgin Islands and Mr. Chanchai Ruayrungruang respectively. The entity does not produce financial statements available for public use.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 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
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 *(continued)*

HKFRS 16, *Leases*

As disclosed in note 1(f), currently the Group classifies leases into operating leases for property.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property which is currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 19, at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to $425,000 for property, the majority of which is payable between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted respectively, after taking account the effects of discounting, as at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

FIVE YEAR FINANCIAL SUMMARY

(Expressed in United States dollars)

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Revenue	**198,348**	198,669	254,358	42,638	125,065
(Loss)/Profit before taxation	**(1,476)**	(2,478)	131	(13,398)	1,692
Income tax credit/(expense)	**—**	—	—	28	(114)
(Loss)/Profit for the year attributable to shareholders	**(1,476)**	(2,478)	131	(13,370)	1,578

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Total assets	**26,127**	67,483	72,481	34,446	52,151
Total liabilities	**(18,823)**	(58,703)	(61,223)	(23,319)	(27,654)
	7,304	8,780	11,258	11,127	24,497