



ARES ASIA

安 域 亞 洲

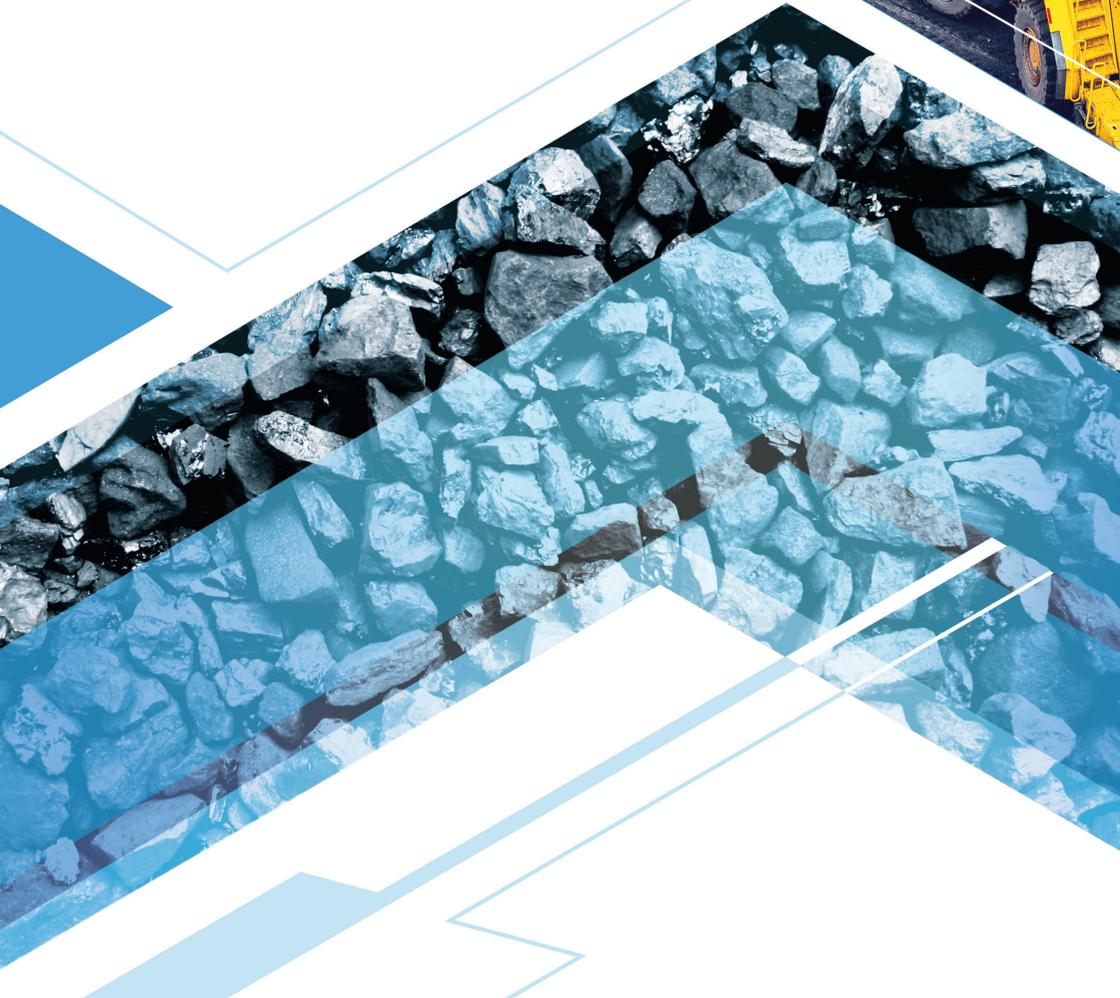
Ares Asia Limited

安域亞洲有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 645

» INTERIM REPORT 2020/2021





Ares Asia Limited
Interim Report 2020/2021

CONTENTS

2	Corporate Information
3	Condensed Consolidated Statement of Comprehensive Income
4	Condensed Consolidated Statement of Financial Position
5	Condensed Consolidated Statement of Changes in Equity
6	Condensed Consolidated Statement of Cash Flows
7	Notes to the Condensed Consolidated Financial Statements
15	Management Discussion and Analysis
19	Corporate Governance and Other Information

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

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
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
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

Mazars CPA Limited
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

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITES

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

STOCK CODE

645

Condensed Consolidated Statement of Comprehensive Income

The board (the “Board”) of directors (the “Directors”) of Ares Asia Limited (the “Company”) is pleased to present the interim report and unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Note	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000
Revenue	3	45,137	57,202
Cost of sales		(44,836)	(56,295)
Gross profit		301	907
Other income	4	–	8
Selling expenses		(78)	(115)
Administrative expenses		(501)	(504)
(Loss)/profit from operations		(278)	296
Finance costs		(139)	(388)
Loss before taxation	5	(417)	(92)
Income tax	6	–	–
Loss and total comprehensive loss for the period		(417)	(92)
Loss per share			
Basic and diluted	8	(0.08) cent	(0.03) cent

The notes on pages 7 to 14 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 September 2020

		Unaudited At 30 September 2020 US\$'000	Audited At 31 March 2020 US\$'000
	Note		
Non-current assets			
Property, plant and equipment		1	2
Right-of-use assets		155	252
		156	254
Current assets			
Trade and other receivables	9	17,711	19,299
Cash and bank balances		10,244	10,425
		27,955	29,724
Non-current liabilities			
Lease liabilities		–	57
		–	57
Current liabilities			
Trade and other payables	10	3,742	13,021
Discounted bills with recourse	11	11,103	3,138
Lease liabilities		241	320
		15,086	16,479
Net current assets		12,869	13,245
Net assets		13,025	13,442
Capital and reserves			
Share capital		662	662
Reserves		12,363	12,780
Total equity		13,025	13,442

The notes on pages 7 to 14 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

For the six months ended 30 September 2020

	Unaudited				Total US\$'000
	Share capital US\$'000	Share premium account US\$'000	Contributed surplus US\$'000	Accumulated losses US\$'000	
Balance at 1 April 2020	662	6,777	15,088	(9,085)	13,442
Loss and total comprehensive loss for the period	-	-	-	(417)	(417)
Balance at 30 September 2020	662	6,777	15,088	(9,502)	13,025
Balance at 1 April 2019	441	172	15,088	(8,396)	7,305
Loss and total comprehensive loss for the period	-	-	-	(92)	(92)
Balance at 30 September 2019	441	172	15,088	(8,488)	7,213

The notes on pages 7 to 14 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	US\$'000	US\$'000
Operating activities		
Decrease/(increase) in trade and other receivables	1,588	(20,114)
Decrease in trade and other payables	(9,279)	(9,685)
Other cash flows (used in)/generated from operating activities	(320)	298
Net cash used in operating activities	(8,011)	(29,501)
Investing activities		
Other cash flows generated from investing activities	–	1
Net cash generated from investing activities	–	1
Financing activities		
Increase in discounted bills with recourse	7,965	28,705
Other cash flows used in financing activities	(135)	(388)
Net cash generated from financing activities	7,830	28,317
Net decrease in cash and cash equivalents	(181)	(1,183)
Cash and cash equivalents at 1 April	10,425	3,848
Cash and cash equivalents at 30 September	10,244	2,665

The notes on pages 7 to 14 form part of this interim financial report.

Notes to the Condensed Consolidated Financial Statements

1. General information

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

These unaudited condensed consolidated interim financial statements are presented in United States dollars (“**US\$**”) and rounded to the nearest thousand (“**000**”), unless otherwise stated.

2. Basis of preparation and changes in accounting policies

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 (the “**Interim Financial Statements**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 — “**Interim financial reporting**”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The financial information relating to the financial year ended 31 March 2020 that is included in the Interim Financial Statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. The auditors have expressed an unqualified opinion on those consolidated financial statements in their report dated 26 June 2020.

The Interim Financial Statements have been prepared on the historical cost basis.

Notes to the Condensed Consolidated Financial Statements

2 Basis of preparation and changes in accounting policies

(Continued)

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2019/2020 annual financial statements, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on or after 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKASs 1 and 8	Definition of Material

None of these news/revised standards has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the Interim Financial Statements.

The HKICPA has issued several news/revised HKFRSs that are not yet effective for the current accounting period of the Group, which the Group has not early adopted. The Group does not anticipate that the adoption of the news/revised HKFRSs in the future periods will have any material impact on the consolidated financial statements of the Group.

3 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the coal and other trading business. All of the revenue for the six months ended 30 September 2020 is recognised in accordance with HKFRS 15. Revenue from contracts with customers, which is also the Group’s turnover, mainly represents the sales value of coal in the ordinary course of businesses which are recognised at a point in time.

(b) Segment reporting

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

Notes to the Condensed Consolidated Financial Statements

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)* **Geographical information**

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

	Revenue from external customers		Non-current assets	
	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000	Unaudited At 30 September 2020 US\$'000	Audited At 31 March 2020 US\$'000
Mainland China	45,137	57,202	-	-
Hong Kong	-	-	156	254
	45,137	57,202	156	254

4 Other income

	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000
Bank interest income	-	1
Net foreign exchange gain	-	7
Total	-	8

5 Loss before taxation

Loss before taxation is arrived at after charging:

	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000
Depreciation of property, plant and equipment	1	1
Depreciation of right-of-use assets	97	97
Staff costs	232	370
Cost of inventories	39,529	49,687
Finance costs	139	388

Notes to the Condensed Consolidated Financial Statements

6 Income tax

No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2020 and 2019 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

7 Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

8 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$417,000 (six months ended 30 September 2019: US\$92,000) and the weighted average of 513,175,401 ordinary shares (six months ended 30 September 2019: 342,116,934 ordinary shares) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as that basic loss per share for the six months ended 30 September 2020 and 2019 as there were no dilutive potential ordinary shares during the period.

9 Trade and other receivables

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

	Unaudited At 30 September 2020 US\$'000	Audited At 31 March 2020 US\$'000
Within 1 month	9,997	7,780
More than 1 month but within 3 months	4,090	6,888
More than 3 months but within 6 months	–	34
Trade debtors and bills receivable	14,087	14,702
Prepayments and other receivables	14,688	15,661
Less: Impairment on prepayments and other receivables	(11,064)	(11,064)
	17,711	19,299

9 Trade and other receivables *(Continued)*

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 180 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.

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

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

As at 31 March 2016, the unutilised prepayments and other receivables amounted to US\$11,704,000. The directors reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. Due to the continuing downturn of coal market, the low demand of coal and minimal utilisation of the prepayments, and the Group's efforts in negotiation with the Original Supplier and New Supplier to secure the delivery of thermal coal under the terms of the Original Agreements as amended by the Deed, as well as demands 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.

Notes to the Condensed Consolidated Financial Statements

9 Trade and other receivables *(Continued)*

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

No further prepayments and other receivables have been utilised or recovered from the Original Supplier during the six months ended 30 September 2020, with the result that the Original Supplier is in breach of its minimum annual repayment obligations of US\$2 million under the New Agreements. As at 30 September 2020, approximately US\$11.1 million of the prepayments remained outstanding which were 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.

10 Trade and other payables

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

	Unaudited At 30 September 2020 US\$'000	Audited At 31 March 2020 US\$'000
Within 1 month	2,509	11,150
Trade creditors	2,509	11,150
Other payables and accrued expenses	1,233	1,871
	3,742	13,021

11 Discounted bills with recourse

Bills discounted with banks at an effective interest rate ranging from 1.07% to 1.14% (31 March 2020: 3.31% to 3.86%) per annum as at 30 September 2020 have maturity profiles of no more than 180 days.

12 Contingent liabilities

At 30 September 2020, the Group is involved in a legal claim relating to the disposal of certain former subsidiaries the operation of which was discontinued.

The Group ceased the operation of its footwear business in January 2013. Further, as disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement (the "**agreement**") with Landway Investments Limited ("**Landway**"), a company wholly owned by a director of Brave Win Industries Limited ("**Brave Win**") to dispose of (i) 1 share of Brave Win, representing 0.00000333% of the total issued share capital of Brave Win; (ii) the 1,000 shares of China Compass Investments Limited ("**China Compass**"), representing the entire issued share capital of China Compass; and (iii) the unsecured and interest-free shareholder's loan in the principal amount of approximately US\$1,579,000 owed by China Compass to the Company, at a consideration of US\$3,200,000 (the "**Disposal**"). The Disposal was completed on 10 April 2014. The directors reviewed the representations and warranties provided by the Company to Landway as set out in the agreement and based on the review and professional advice obtained, it was considered that there was no breach of any of the representations and warranties.

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

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

Notes to the Condensed Consolidated Financial Statements

13 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors disclosed in the unaudited condensed consolidated financial statement is as follows:

	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000
Salaries and other short-term employee benefits	55	136
Retirement scheme contributions	1	2
	56	138

(b) Transaction with a fellow subsidiary

	Unaudited Six months ended 30 September 2020 US\$'000	2019 US\$'000
Repayment of lease liabilities and interest on lease liabilities	135	105
Building management fee and utility charges	16	15

The Group committed to repay lease liabilities and interest on lease liabilities of US\$223,000 during the six months ended 30 September 2020, of which US\$88,000 have not been paid as at 30 September 2020.

14 Events after reporting period

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. At the date of this report, the management of the Group considers that there is no significant event subsequent to 30 September 2020 which would materially affect the financial position and cash flows of the Group. The Group will pay close attention to the development of COVID-19 outbreak and take all possible and reasonable measures to mitigate the effect on the Group's operations.

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed a rights issue on 26 March 2020, pursuant to which the Company has issued 171,058,467 ordinary shares of the Company of HK\$0.01 each as rights shares at HK\$0.335 per rights share on the basis of one rights share for every two existing shares held on 2 March 2020. The net proceeds from the rights issue (after deducting the expenses) were approximately HK\$52.9 million (equivalent to approximately US\$6,826,000) (the “**Net Proceeds**”). The Company intended to apply approximately HK\$47.6 million of the Net Proceeds (representing approximately 90% of the Net Proceeds) for funding trading of coal mainly and also other commodities in the ordinary course of the Group’s trading operations in order to enhance its overall trading capacity and the balance of approximately HK\$5.3 million (representing approximately 10% of the Net Proceeds) for general working capital purposes (including administrative and operating costs of the Group).

The intended use and the actual use of the Net Proceeds from the Rights Issue, as well as the unutilised Net Proceeds therefrom as at 30 September 2020 are as follows:

	Intended use of Net Proceeds as stated in the prospectus of the Company dated 3 March 2020 HK\$'million	Actual use of Net Proceeds as at 30 September 2020 HK\$'million	Unutilised Net Proceeds as at 30 September 2020 HK\$'million
Trading of coal mainly and also other commodities in the ordinary course of the Group’s trading operations	47.6	44.6	3.0
General working capital of the Group	5.3	2.7	2.6
Total	52.9	47.3	5.6

The unutilised Net Proceeds from the Rights Issue are expected to be used according to the intended use of Net Proceeds as stated in the prospectus of the Company dated 3 March 2020 in the coming one year.

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the six months ended 30 September 2020 and the period immediately prior to the date of this interim report.

REVIEW OF OPERATIONS

The Group continued to operate its coal and other trading business during the six-month period ended 30 September 2020. The customers of the Group are primarily state-owned and privately owned Chinese companies (or their offshore subsidiaries) whose businesses include trading or sales of commodities, including coal, and import and export operations. As a result of the Group supplying trading customers, the ultimate consumer of the supplies is commonly unknown to the Group.

The 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.

During the six-month period ended 30 September 2020, the revenue generated from the coal and other trading business was approximately US\$45.14 million, representing the decrease of 21.08% or US\$12.06 million, as compared to the revenue of approximately US\$57.20 million in the corresponding period of last year. The Group sold thermal coal originated from Indonesia, Russia and Australia to Mainland China, with a total volume of approximately 0.94 million metric tonnes ("MT") as compared to approximately 1.00 million MT in the corresponding period of last year. Also, the gross profit of the Group amounted to approximately US\$0.30 million for the six-month period ended 30 September 2020, representing the decrease of 67.03% or US\$0.61 million, as compared to the gross profit of approximately US\$0.91 million in the corresponding period of last year. The decrease in revenue and gross profit was primarily due to serious impact of the COVID-19 pandemic that has had a significant effect on oil and coal prices and China's management of domestic and imported coal supply.

Selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US\$0.58 million for the current period, which decreased by US\$0.04 million as compared to US\$0.62 million in the corresponding reporting period of last year. Finance costs incurred during the period arose from the bills discounted which amounted to approximately US\$0.14 million for the current period, which decreased by US\$0.25 million as compared to US\$0.39 million in the corresponding reporting period of last year. The decrease in selling and administrative expenses were mainly attributable to the decrease in salaries cost as a result of the government's subsidies and reduction in one headcount. The decrease in finance costs was mainly due to the decrease in sales volume and interest rate.

The Group recorded an increase in net losses attributable to the shareholders for the six-month period ended 30 September 2020 by about 353.26% as compared to that for the corresponding period in 2019 mainly due to the net effect of (i) the decrease in sales volume; (ii) the decrease in selling and administrative expenses; and (iii) the decrease in finance costs.

PROSPECT

Looking forward, the Group expects the business environment in which its operations will likely become more challenging, both due to China's management of coal imports in the wake of the impact of the COVID-19 pandemic on oil and gas prices and the economy generally as well as the uncertainties and/or possible escalation of the Sino Australian trade tensions which may, based on press reports, result in restrictions on coal imports from Australia. Any further deterioration in the global economy will also increase uncertainties for the Group and adversely affect the Group's business and its short term performance, despite its efforts to manage such risks. These factors may lead to reduced orders, put pressure on our pricing and payment terms and our performance. The Group aims to develop and implement strategies to avoid interruption to its business and to bring the best results possible in the circumstances to the Company's shareholders in the medium to longer term.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2020, cash on hand and at banks for the Group amounted to approximately US\$10.24 million as compared to US\$10.43 million as at 31 March 2020. No material fluctuations were noted.

As at 30 September 2020, the Group had discounted bills with recourse amounting to US\$11.10 million as compared to US\$3.14 million as at 31 March 2020. The discounting of bills receivable was a short term trade facility and the underlying bills receivable had maturity periods of 180 days after the receipt of required documents by nominated banks, or less and were covered by corresponding letters of credit.

As at 30 September 2020, the debt to equity ratio, being total debt to total equity was approximately 115.82% (31 March 2020: approximately 123.02%).

Management Discussion and Analysis

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal and other trading business, irrevocable letters of credit, up to a tenor of 180 days after the receipts 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.

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.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

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

Upon specific enquiry by the Company and following confirmations from the Directors, there has no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Company's 2019/20 annual report.

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

As at 30 September 2020, 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 of Hong Kong Limited (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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

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

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

Based on 340,616,934 shares of the Company (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 6.35% of the total number of Shares in issue as at the date of this interim report.

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

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

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

There was no outstanding share option under the Share Option Scheme as at 1 April 2020 and 30 September 2020 respectively.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 September 2020, 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	337,465,038	65.76%

Note: Reignwood is wholly-owned by Dr. Chanchai RUAYRUNGRUANG.

Save as disclosed above, as at 30 September 2020, no person, including the Directors and chief executive of the Company, had interest or short position in the shares, underlying shares and debentures of the Company which was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2020, the Group had a total of 8 full time (31 March 2020: 9) employees in Hong Kong. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual's and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include share option scheme, provident fund schemes, discretionary bonuses on performance basis and medical insurance.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions (the "**Code Provision(s)**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2020, except for the deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. RUAYRUNGRUANG Woraphanit ("**Ms. RUAYRUNGRUANG**") is the chairlady of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. RUAYRUNGRUANG and believes that her holding of the positions of the chairlady of the Board and chief executive officer of the Company is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All the members of the Board have confirmed that, following specific enquiries made by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Interim Financial Statements.

By Order of the Board
ARES ASIA LIMITED
RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 25 November 2020