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ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the "Board") of Ares Asia Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016
(Expressed in United States dollars)

	Note	**2016** **$'000**	2015 $'000
Continuing operation			
Revenue	3	**42,638**	125,065
Cost of sales		**(42,324)**	(122,916)
Gross profit		**314**	2,149
Other revenue	4	**27**	34
Other loss	4	**(11,702)**	(26)
Selling expenses		**(154)**	(473)
Administrative expenses		**(1,883)**	(3,173)
Loss before taxation	5	**(13,398)**	(1,489)
Income tax	6	**28**	(114)
Loss from continuing operation		**(13,370)**	(1,603)
Discontinued operation			
Profit from discontinued operation	7	**—**	3,181
(Loss)/profit and total comprehensive income for the year		**(13,370)**	1,578
(Loss)/earnings per share	9		
Basic and diluted			
— Continuing operation		**(3.91) cents**	(0.47) cent
— Discontinued operation		**— cent**	0.93 cent
		(3.91) cents	0.46 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

(Expressed in United States dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment		**56**	116
Intangible asset		**—**	330
Prepayments	*10*	**—**	11,013
		56	11,459
Current assets			
Trade and other receivables	*10*	**25,344**	28,161
Cash and cash equivalents		**9,046**	12,531
		34,390	40,692
Current liabilities			
Trade and other payables	*11*	**14,236**	621
Discounted bills with recourse	*12*	**9,083**	26,919
Current taxation		**—**	114
		23,319	27,654
Net current assets		**11,071**	13,038
NET ASSETS		**11,127**	24,497
CAPITAL AND RESERVES			
Share capital		**441**	441
Reserves		**10,686**	24,056
TOTAL EQUITY		**11,127**	24,497

NOTES

(Expressed in United States dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2016, but is derived from those financial statements.

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

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 Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2 CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

— Annual Improvements to HKFRSs 2010-2012 Cycle

— Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Coal trading *$'000*
2016	
Customer A	22,766
Customer B	9,212
Customer C	6,286
2015	
Customer D	47,764
Customer E	40,081
Customer F	16,799

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

(b) Segment reporting

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

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

Continuing operation:

— Coal trading: Sale of coal

Discontinued operation:

— Footwear business: Manufacturing and sale of footwear products

(i) Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below.

	2016			2015		
	Continuing operation	**Discontinued operation**	**Total**	Continuing operation	Discontinued operation	Total
	Coal trading	**Footwear business**		Coal trading	Footwear business	
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Revenue						
Reportable segment revenue	**42,638**	**—**	**42,638**	125,065	—	125,065
Results						
Reportable segment results (EBIT)	**(12,568)**	**—**	**(12,568)**	350	3,181	3,531
Unallocated head office and corporate expenses			**(830)**			(1,839)
Consolidated (loss)/profit before taxation			**(13,398)**			1,692
Additions to non-current segment assets during the year	**9**	**—**	**9**	58	—	58
Depreciation for the year	**69**	**—**	**69**	105	—	105
Impairment loss on prepayments and other receivables	**11,704**	**—**	**11,704**	—	—	—
Assets						
Segment assets	**34,415**	**—**	**34,415**	52,113	—	52,113
Unallocated head office and corporate assets			**31**			38
Consolidated total assets			**34,446**			52,151
Liabilities						
Segment liabilities	**23,222**	**—**	**23,222**	27,543	—	27,543
Unallocated head office and corporate liabilities			**97**			111
Consolidated total liabilities			**23,319**			27,654

(ii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2016	**2015**	2016	2015
	$'000	***$'000***	*$'000*	*$'000*
Mainland China	**38,242**	**125,065**	—	—
Hong Kong	—	—	56	11,459
India	**4,396**	—	—	—
	42,638	**125,065**	56	11,459

4 OTHER REVENUE AND LOSS

	2016	2015
	$'000	*$'000*
Other revenue		
— Bank interest income	**27**	34
Other loss		
— Impairment loss on prepayments and other receivables *(note 10)*	**(11,704)**	—
— Net foreign exchange gain/(loss)	**2**	(1)
— Net loss on disposal of property, plant and equipment	—	(25)
	(11,702)	(26)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	$'000	*$'000*
(a) Staff costs		
Salaries, wages and other benefits	**943**	1,710
Termination benefits	**—**	465
Contributions to defined contribution retirement plans	**19**	22
	962	2,197
(b) Other items		
Cost of inventories	**41,574**	114,059
Operating lease charges in respect of properties	**343**	313
Depreciation	**69**	105
Auditors' remuneration		
— audit services	**94**	135
— other services	**—**	13
Impairment loss on intangible asset	**—**	27
Finance costs	**42**	68

6 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2016	2015
	$'000	*$'000*
Hong Kong Profits Tax		
— Provision for the year	**—**	114
— Over-provision in respect of prior year	**(28)**	—
	(28)	114

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2016 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

The provision for Hong Kong Profits Tax for the year ended 31 March 2015 was calculated by applying the estimated annual effective tax rate of 16.5% to the profit before taxation for that year.

7 DISCONTINUED OPERATION

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 and therefore a gain on disposal of $3,181,000 was recognised during the year ended 31 March 2015.

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.

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

(a) Cash flows of the discontinued operation:

	Period from 1 April 2014 to 10 April 2014 *$'000*
Net cash used in operating activities	—
Net cash generated from investing activities	3,200
Net cash inflow from discontinued operation	3,200

(b) Effect of disposal on the financial position of the Group:

	2015
	$'000
Net liabilities disposed of:	
Cash and cash equivalents	8
Other payables and accrued expenses	(9)
Net identifiable liabilities	(1)
Transaction costs incurred	20
Gain on disposal of subsidiaries	3,181
	3,200
Satisfied by:	
Cash consideration	3,200

Analysis of the net cash inflow in respect of the disposal of discontinued operation

Cash consideration	3,200
Cash and cash equivalents disposed of	(8)
Transaction cost paid	(20)
Net cash inflow	3,172

8 DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $13,370,000 (2015: profit of $1,578,000) and the weighted average of 342,116,934 ordinary shares (2015: 341,212,824 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at beginning of the year	**342,116,934**	340,616,934
Effect of share options exercised	—	595,890
Weighted average number of ordinary shares at end of the year	**342,116,934**	341,212,824

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $13,370,000 (2015: profit of $1,578,000) and the weighted average number of 342,116,934 ordinary shares (2015: 341,669,531 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016	2015
Weighted average number of ordinary shares at end of the year	**342,116,934**	341,212,824
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	—	456,707
Weighted average number of ordinary shares (diluted) at end of the year	**342,116,934**	341,669,531

10 TRADE AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade debtors and bills receivable	**25,260**	26,919
Prepayments and other receivables	**11,788**	12,255
Less: impairment on prepayments and other receivables	**(11,704)**	—
	25,344	39,174
Less: Non-current portion of prepayments	**—**	(11,013)
	25,344	28,161

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

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

As at 31 March 2016, the unutilised prepayments amounted to $11,565,000 (2015: $11,576,000). The directors have 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 hence minimal utilisation of the prepayments during the current year, and the Group's efforts in negotiation with the Original Supplier and New Supplier for execution of the terms of the Agreements as amended by the Deed as well as demand for repayment which are in vain, the directors consider that there is significant uncertainty on the ability of the Group to recover the balance of the prepayments through either utilisation from future purchases or repayment of the prepayments. Accordingly, full impairment loss has been recognised in the consolidated statement of comprehensive income during the year ended 31 March 2016.

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

	2016	2015
	$'000	*$'000*
Within 1 month	**20,224**	—
More than 1 month but within 3 months	**5,036**	8,741
More than 3 months but within 6 months	**—**	18,178
	25,260	26,919

The credit terms offered to customers of coal trading business are negotiated on a case-by-case basis. Irrevocable letters of credit, up to a tenor of 120 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.

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

	2016	2015
	$'000	*$'000*
Neither past due nor impaired	**25,260**	26,919

Based on past experience, management believes that no impairment allowance is necessary in respect of trade debtors and bills receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The outstanding trade debtors as at 31 March 2016 and 31 March 2015 were covered by letter of credit which has been accepted by the nominated bank subsequent to the end of the reporting period. No impairment loss was recognised by the Group at 31 March 2016 and 31 March 2015.

11 TRADE AND OTHER PAYABLES

	2016	2015
	$'000	*$'000*
Trade creditors	**13,193**	—
Other payables and accrued expenses	**1,043**	621
	14,236	621

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

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

	2016	2015
	$'000	*$'000*
Within 1 month	**13,193**	—

12 DISCOUNTED BILLS WITH RECOURSE

Bills discounted with banks at an effective interest rate ranging from 1.49% to 2.25% (2015: 1.48% to 1.76%) per annum as at 31 March 2016 have maturity profiles of no more than 90 days.

13 EVENT AFTER THE REPORTING PERIOD

There has been no material event after the end of the reporting period which requires disclosure in this announcement.

14 CONTINGENT LIABILITIES

At 31 March 2016, the Group is involved in a legal claim relating to the disposal of certain former subsidiaries the operation of which have been discontinued. Further details are set out in note 7 of this announcement.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: Nil).

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "AGM") of the Company will be held on Friday, 23 September 2016. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 September 2016 to Friday, 23 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 20 September 2016.

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to operate its coal trading business during the year ended 31 March 2016 and the results of the coal trading business are presented as continuing operation in the consolidated financial statements.

The Group's revenue for the year ended 31 March 2016, which was solely generated from its coal trading business, decreased to US$42.64 million as compared with US$125.07 million for the year ended 31 March 2015.

The footwear manufacturing business, the operation of which was discontinued during the year ended 31 March 2013, was disposed during the year ended 31 March 2015. The results for the discontinued footwear manufacturing business are continued to be reported separately as discontinued operation in the consolidated financial statements.

Loss before taxation for the year ended 31 March 2016 was US$13.40 million, representing US$12.57 million of loss from the coal trading business, in which US$11.70 million was impairment loss on prepayments and other receivables, and US$0.83 million of corporate overhead expenses. In comparison, the profit before taxation for the year ended 31 March 2015 was US$1.69 million, which was made up of US$0.35 million of profit from the coal trading business, US$3.18 million of gain on disposal of the footwear manufacturing business, and US$1.84 million of corporate overhead expenses.

REVIEW OF OPERATIONS

Continuing Operation

During the year ended 31 March 2016, the performance of our coal trading business has dropped sharply. The turnover was US$42.64 million, representing a year on year decrease of 65.9% or US$82.43 million.

During the year ended 31 March 2016, the Group continued to sell coals, with majority of the coal originated from Indonesia and Australia, to China, with a total volume of approximately 0.95 million metric tonnes ("MT") as compared with approximately 1.89 million MT in prior year.

Other loss mainly represented the impairment on prepayments related to the coal sale and purchase agreements. For details, please refer to note "Trade and other receivables". The Group is currently seeking legal advises for the follow up actions.

Selling and administrative expenses primarily consisted of employee benefits costs, rental and corporate expenses which amounted to approximately US$2.04 million for the current year (2015: US$3.65 million). The decrease is the reflection of the sluggish market situation.

Loss before taxation from continuing operation was approximately US$13.40 million for the year ended 31 March 2016 as compared with US$1.49 million in last year. When excluding the impairment loss on prepayments and other receivables of US$11.70 million in the period under review, loss before taxation from the continuing operation of this reporting period would be increased by 13.77% or US$0.21 million, as compared to US$1.49 million of prior year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2016, cash on hand and at banks for the Group amounted to approximately US$9.05 million as compared to US$12.53 million as at 31 March 2015. The decrease in cash was primarily the result of the payment for daily operations and trade activities during the year ended 31 March 2016.

As at 31 March 2016, the Group had no other borrowings except for the discounted bills with recourse amounting to US$9.08 million as compared to US$26.92 million as at 31 March 2015. The decrease was due to that trading activities conducted in March 2016 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 2016, the gearing ratio, being net debt (total borrowings less cash on hand and at banks) to net assets attributable to owners of the Group was approximately 0.33% (31 March 2015: 58.7%).

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal trading business, irrevocable letters of credit, up to a tenor of 120 days after the receipt of required documents by nominated banks, by reputable banks are usually required not later than 14 days prior to the expected date of vessels' arrival at loading port. So far, the Group has not experienced any bad debts from its coal trading business.

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

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisition, disposal and significant investment during the year ended 31 March 2016.

RISK OF CURRENCY FLUCTUATIONS

The Group's assets and liabilities as well as the income and expenses derived from both the continuing operation and discontinued operation are mainly denominated in Hong Kong Dollars 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 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2016	2015
	$'000	*$'000*
Within 1 year	**374**	374
After 1 year but within 5 years	**208**	582
	582	956

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.

PROSPECT

Affected by the downturn of global economy, changes in energy structure and enhanced intensity of air pollution control in China, the coal market is confronted with hard conditions. The imbalances between supply and demand of coal market, sharp falling of domestic coal imports and continuous decrease of coal prices resulted in bleak situation of the coal industry.

However, the Chinese government is speeding up the supply-side structural reform so as to proactively resolve overcapacity of coal and eliminate backward production capacity. With the central government's policy in setting up the dedicated reward and compensation funds for industrial structure adjustment to resolve overcapacity of the coal industry, the problem of excessive coal capacity is expected to be improved and as the result, the coal market in China is expected to recover gradually.

Owing to the stricter quality control for imported coal, the volume of coal import to China decreased as compared to last year. Nevertheless, considering various factors such as the cost advantages of imported coal and the rigid demand from coastal power plants, it is estimated that the coal imports will have a recover in the coming year.

Adhering to the market-oriented pricing mechanism, the Group will further explore new customers by allocating marketable types of coal according to the differentiated requirements of the customers, which will to some extent mitigate the impact from coal demand imbalance and thus enhanced the market risk resilience of the Group.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had a total of 9 (2015: 10) full time employees in Hong Kong. The Group's emolument policy is to pay salaries and wages that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include share option scheme, provident fund schemes, discretionary bonuses on performance basis and medical insurance.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct governing deals by all directors of the Company in the securities transactions of the Company. All 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 year ended 31 March 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2016, except for the following deviation:

Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. ZHENG Yong Sheng ("Mr. ZHENG") is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high 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 Mr. ZHENG and believes that his holding of the positions of the chairman of the Board and chief executive officer of the Company is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

AUDIT COMMITTEE

The audit committee under the Board has reviewed with management of the Company and KPMG, the Company's auditors, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the final results of the Group for the year ended 31 March 2016.

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 March 2016 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.aresasialtd.com / www.irasia.com/listco/hk/aresasia and the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 March 2016 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Ares Asia Limited
ZHENG Yong Sheng
Chairman

Hong Kong, 30 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. ZHENG Yong Sheng (Chairman) and Mr. RAN Dong, and the independent non-executive directors of the Company are Mr. CHANG Jesse, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney.