ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Ares Asia Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2017
(Expressed in United States dollars)

		Unaudited Six months ended 30 September	
	Note	**2017** ***$'000***	2016 *$'000*
Revenue	*3*	**70,730**	98,837
Cost of sales		**(70,706)**	(97,805)
Gross profit		**24**	1,032
Other income	*4*	**7**	2
Selling expenses		**(67)**	(73)
Administrative expenses		**(856)**	(911)
(Loss)/profit from operations		**(892)**	50
Finance costs		**(361)**	(388)
Loss before taxation	*5*	**(1,253)**	(338)
Income tax	*6*	**—**	—
Loss and total comprehensive income for the period		**(1,253)**	(338)
Loss per share	*8*		
Basic and diluted		**(0.37) cent**	(0.10) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2017

(Expressed in United States dollars)

		Unaudited	Audited
		At	At
		30 September	31 March
		2017	2017
	Note	***$'000***	*$'000*
Non-current assets			
Property, plant and equipment		**11**	22
Current assets			
Trade and other receivables	*9*	**29,805**	60,230
Cash and cash equivalents		**4,951**	12,229
		34,756	72,459
Current liabilities			
Trade and other payables	*10*	**5,129**	5,162
Discounted bills with recourse	*11*	**19,633**	56,061
		24,762	61,223
Net current assets		**9,994**	11,236
Net assets		**10,005**	11,258
Capital and reserves			
Share capital		**441**	441
Reserves		**9,564**	10,817
Total equity		**10,005**	11,258

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2017
(Expressed in United States dollars)

For the six months ended 30 September 2017

	Unaudited				
	Share Capital *$'000*	**Share premium account** *$'000*	**Contributed surplus** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*
Balance at 1 April 2017	**441**	**172**	**15,088**	**(4,443)**	**11,258**
Loss and total comprehensive income for the period	**—**	**—**	**—**	**(1,253)**	**(1,253)**
Balance at 30 September 2017	**441**	**172**	**15,088**	**(5,696)**	**10,005**
Balance at 1 April 2016	441	172	15,088	(4,574)	11,127
Loss and total comprehensive income for the period	—	—	—	(338)	(338)
Balance at 30 September 2016	441	172	15,088	(4,912)	10,789

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2017

(Expressed in United States dollars)

	Unaudited Six months ended 30 September 2017 $'000	2016 $'000
Operating activities		
Decrease/(increase) in trade and other receivables	**30,425**	(36,657)
Decrease in trade and other payables	**(33)**	(3,405)
Other cash flows (used in)/generated from operating activities	**(884)**	71
Net cash generated from/(used in) operating activities	**29,508**	(39,991)
Investing activities		
Other cash flows arising from investing activities	**3**	2
Net cash generated from investing activities	**3**	2
Financing activities		
(Decrease)/increase in discounted bills with recourse	**(36,428)**	40,683
Other cash flows arising from financing activities	**(361)**	(388)
Net cash (used in)/generated from financing activities	**(36,789)**	40,295
Net (decrease)/increase in cash and cash equivalents	**(7,278)**	306
Cash and cash equivalents at 1 April	**12,229**	9,046
Cash and cash equivalents at 30 September	**4,951**	9,352

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in United States dollars)

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 (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 ("HKICPA"). It was authorised for issue on 30 November 2017.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2016/17 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/18 annual financial statements. Details of any changes in accounting polices are set out in note 2.

The financial information relating to the financial year ended 31 March 2017 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 financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 June 2017.

2 Changes in accounting policies

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments 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.

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

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.

(b) Segment reporting

The Group operates in a single business segment of coal trading business during the current and prior periods.

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. 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**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2017	2016	**2017**	2017
	$'000	*$'000*	***$'000***	*$'000*
Mainland China	**70,730**	98,837	**—**	—
Hong Kong	**—**	—	**11**	22
	70,730	98,837	**11**	22

4 Other income

	Six months ended 30 September	
	2017	2016
	$'000	*$'000*
Bank interest income	**3**	2
Net foreign exchange gain	**4**	—
Total	**7**	2

5 Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2017	2016
	$'000	*$'000*
Depreciation	**11**	23
Staff costs	**450**	465
Cost of inventories	**67,707**	88,375
Finance costs	**361**	388

6 Income tax

	Six months ended 30 September	
	2017	2016
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	—	—

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2017 and 2016 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 2017 (six months ended 30 September 2016: 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 $1,253,000 (six months ended 30 September 2016: $338,000) and the weighted average of 342,116,934 ordinary shares (six months ended 30 September 2016: 342,116,934 ordinary shares) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 September 2017 and 2016 is the same as that of basic loss per share 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:

	At 30 September 2017 *$'000*	At 31 March 2017 *$'000*
Within 1 month	**17,746**	20,631
More than 1 month but within 3 months	**11,795**	38,198
More than 3 months but within 6 months	**—**	1,199
Trade debtors and bills receivable	**29,541**	60,028
Prepayments and other receivables	**11,328**	11,266
Less: Impairment on prepayments and other receivables	**(11,064)**	(11,064)
	29,805	60,230

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 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.

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. No impairment loss was recognised by the Group at 30 September 2017 and 31 March 2017.

During the year ended 31 March 2014, the Group entered into coal sale and purchase agreements ("the Original Agreements") with a marketing agent ("the Original Supplier") of two top 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 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 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 would 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 would be deducted from such balance of prepayments. Save for the amendments made to the Original Agreements, the other terms of the Original Agreements were to remain 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 demands for repayment which were in vain, the directors considered that there was 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, 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 as 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 with an annual minimum of $2,000,000, either through an application of prepayment towards purchases or by cash payment to the Group from the Original Supplier. 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 to the extent of the actual amount recovered. No further prepayments have been utilised or other receivables recovered from the Original Supplier during the period, however, the directors note that the Original Supplier has until 31 January 2018 to meet its annual minimum repayment of $2,000,000. The directors will continue to closely monitor the recoverability of the prepayments from the Original Supplier.

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:

	At 30 September 2017	At 31 March 2017
	$'000	*$'000*
Within 1 month	**4,446**	3,888
Trade creditors	**4,446**	3,888
Other payables and accrued expenses	**683**	1,274
	5,129	5,162

11 Discounted bills with recourse

Bills discounted with banks at an effective interest rate ranging from 1.75% to 2.50% (31 March 2017: 1.88% to 2.25%) per annum as at 30 September 2017 have maturity profiles of no more than 90 days.

12 Operating lease commitment

	At 30 September 2017	At 31 March 2017
	$'000	*$'000*
Within 1 year	**19**	208

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.

13 Contingent liabilities

At 30 September 2017, 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.

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. As at the end of the reporting period, the legal process was still on-going, and no conclusion has been reached.

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.

14 Material related party transactions

(a) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2017	2016
	$'000	*$'000*
Salaries and other short-term employee benefits	**155**	155
Retirement scheme contributions	**1**	1
	156	156

(b) Transaction with a fellow subsidiary

	Six months ended 30 September	
	2017	2016
	$'000	*$'000*
Rental expenses, building management fee and utility charges	**210**	193

Details of continuing connected transaction is set out in the announcement of the Company dated 17 October 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the six-month period ended 30 September 2017, the performance of the coal trading business has dropped with revenue of US$70.73 million, representing a year-on-year decrease of 28.44% or US$28.11 million. The Group sold thermal and coking coal originated from Indonesia, Russia and Australia to Mainland China, with a total volume of approximately 1.10 million metric tonnes ("MT") as compared to approximately 2.18 million MT in the corresponding period of last year.

Selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US$0.92 million for the current period, which decreased by US$0.06 million as compared to US$0.98 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$0.36 million for the current period, which decreased by US$0.03 million as compared to US$0.39 million in the corresponding reporting period of last year. The decrease in selling expenses, administrative expenses and finance costs were mainly due to a decline in sales volume.

The Group recorded a significant increase in net losses attributable to the shareholders for the six-month period ended 30 September 2017 by about 270.71% as compared to that for the corresponding period in 2016 mainly due to (i) the decline in sales volume of the Group for the six-month period ended 30 September 2017 by approximately 28.44% as compared to the six-month period ended 30 September 2016; (ii) an increase in average purchasing cost of coal as a result of the market price of coal having remained elevated and showed less volatility during the six-month period ended 30 September 2017 when compared to the six-month period ended 30 September 2016, which had led to slower purchases by the Group and (iii) an increase in shipping costs of coal, all of which had put significant pressure on gross profit margin for the period.

PROSPECT

During the first half of 2017, the market price of coal having remained elevated and showed less volatility, which had led to slower purchases by the Group. As a result, the Group recorded a decrease in sales volume and gross profit margin as compared to the same period of last year.

Despite the volume of coal imports into China having increased as compared to the corresponding period in 2016, the Group is aware that Platts Marine reported earlier this month a sharp rise in ships loaded with coal that were stationary off the southern and eastern coasts of China and extensive delays for discharge of seaborne coal due to possible tightening of coal import. Platts Marine has also reported that port authorities have rejected claims that restrictions have been imposed on the discharge of imported coal at various ports. The Group has noted delays in the discharge of certain shipments after the reporting period, which has led to an increase in shipping costs for those shipments.

Whilst the Group has noted that cost advantages of imported coal and an increased demand for coal from coastal power plants in China for the second half of its financial year, the Group will closely monitor developments in this regard as tightening controls on coal imports into China can have a material negative effect on the Group's sales and gross profit margin. In addition, the Company will review and consider appropriate strategies to manage the future business development and growth of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2017, cash on hand and at banks for the Group amounted to approximately US$4.95 million as compared to US$12.23 million as at 31 March 2017. The decrease in cash was primarily the result of the payment for daily operations and trade activities during the six months ended 30 September 2017.

As at 30 September 2017, the Group had discounted bills with recourse amounting to US$19.63 million as compared to US$56.06 million as at 31 March 2017. The decrease was due to that all bills receivable discounted, with recourse, for matching the working capital requirement arising from the Group's trading activities had been matured and settled by corresponding letters of credit.

As at 30 September 2017, 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 146.75% (31 March 2017: approximately 389.34%).

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 90 days 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.

RISK OF CURRENCY FLUCTUATIONS

The Group's assets and liabilities as well as the income and expenses derived from the continuing 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.

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 2017, the Group had a total of 9 (31 March 2017: 9) full time 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 and bonus on performance basis.

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 2017, except for the deviations 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. 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 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 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.

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 2017.

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 unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published at the websites of the Company at www.aresasialtd.com and www.irasia.com/listco/hk/aresasia and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 September 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
ARES ASIA LIMITED
ZHENG Yong Sheng
Chairman

Hong Kong, 30 November 2017

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