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ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

RESIGNATION OF AUDITOR

This announcement is made by Ares Asia Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 11 August 2021 (after trading hours), the Company received a resignation letter from Mazars CPA Limited (“**Mazars**”) as auditors of the Group with effect from 11 August 2021.

In the letter of resignation dated 11 August 2021 to the Board and the audit committee of the Company (the “**Audit Committee**”), Mazars set out a number of significant matters (“**Significant Matters**”) noted during the performance of the audit of the Company for the year ended 31 March 2021 and stated that they have requested the Company to provide explanation and evidence to support the business rationale and commercial substance of the New Prepayment (as defined below). Mazars further stated that they have not obtained satisfactory explanation and sufficient information in connection with the Significant Matters and have decided to resign as auditor of the Company with effect from 11 August 2021 after having considered (i) the outstanding information communicated with the Audit Committee; (ii) the potential impact of the Significant Matters; (iii) the professional risk associated with the audit; and (iv) the availability of their internal resources.

The Significant Matters noted by Mazars in its resignation letter are as follows:

- (i) As at 31 March 2021, the prepayment in relation to purchase of coal made by Ares Repco Limited (“**ARL**”), a wholly-owned subsidiary of the Company incorporated in Hong Kong, to an Indonesian coal supplier (the “**Supplier**”) amounted to approximately US\$1.4 million and a substantial portion of which was aged over 1 year (the “**Previous Prepayment**”).

- (ii) The management of the Group adopted an updated trading policy in July 2020 pursuant to which the Group should not make further prepayment for trading transactions.
- (iii) Ares Asia Resources Pte. Ltd. (“**AAR**”), a wholly-owned subsidiary of the Company incorporated in Singapore in July 2020, entered into (a) two sales contracts in March 2021 with customer A and customer B (collectively the “**Sales Contracts**”) for the sales of 100,000MT and 50,000MT of coal respectively which were originally scheduled for delivery between March and April 2021; and (b) a purchase contract in March 2021 with the Supplier for the purchase of 150,000MT of coal which was originally scheduled for delivery between March and April 2021 (the “**Purchase Contract**”).
- (iv) As at 31 March 2021, customer A and customer B had made advance payments to AAR of US\$1.5 million and US\$1.0 million respectively in accordance with the Sales Contracts whilst AAR had made prepayment of US\$2.5 million (the “**New Prepayment**”) to the Supplier after the receipt of the advance payments from customer A and customer B in accordance with the Purchase Contract.

Mazars indicated that they have continuously requested for detailed information and evidence on the recoverability of the Previous Prepayment and the New Prepayment. In June 2021, the Supplier arranged one shipment of 53,300MT of coal (the “**June Shipment**”) which utilised only approximately US\$0.25 million of the New Prepayment and approximately US\$1.25 million of the Previous Prepayment.

Mazars further indicated that they have also requested for satisfactory explanation and evidence to support the business rationale and commercial substance of the New Prepayment as (a) the New Prepayment was not made in accordance with the Group’s updated trading policy as mentioned in point (ii) above; and (b) the Previous Prepayment had not been fully utilised when the New Prepayment was made.

In relation to the above, the Board would like to clarify as follows:

- (a) The Previous Prepayment included the prepayment made under a contract entered into between ARL and the Supplier in December 2019, as amended, for purchase of coal from the Supplier and demurrage and compensation that had been settled by the Group for the late loading of coal on the designated vessels in respects of certain shipments. After the June Shipment, approximately US\$0.15 million of the Previous Prepayment remain unutilized which represented the amount of the aforesaid demurrage and compensation.
- (b) The Board is working on enhancing internal control policies and procedures to ensure observance of trading approval guidelines approved by the Board.

- (c) There has been no further shipment since the June Shipment as the Supplier has explained that its production capacity had been adversely affected by the outbreak of COVID-19 pandemic and high rainfall. A coal shipment that was originally scheduled for July 2021 was cancelled due to the delays in loading.
- (d) In addition, it has also recently come to the notice of the Company that the controlling shareholder and director of the Supplier had passed away on 19 July 2021 due to COVID-19 infection and that Indonesia reported new COVID-19 infections have also spiked that month. The Group is in discussions with the relevant parties on ways to resolve its obligations under the Purchase Contract and the Sales Contracts.

Mazars has confirmed in its resignation letter that, save for the matters set out above, there are no other matters that need to be brought to the attention of the holders of the Company's securities.

The Company notes the reasons for the auditor's resignation and is prioritizing the identification of a suitable replacement to fill the vacancy following the resignation of Mazars. Further announcement will be made by the Company in due course in relation to the appointment of new auditor of the Group.

By Order of the Board
ARES ASIA LIMITED
RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 13 August 2021

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