ARES ASIA LIMITED
安域亞洲有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 645)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021 AND CONTINUED SUSPENSION OF TRADING

References are made to the announcements (the "Announcements") of Ares Asia Limited (the "Company") dated 30 June 2021, 13 August 2021, 28 September 2021, 30 September 2021, 5 October 2021, 19 October 2021, 30 November 2021, 31 December 2021, 31 March 2022, 13, 20 and 30 June 2022, 18 August 2022 and 22 August 2022 in relation to, among others, (i) the suspension of trading in the Shares on the Stock Exchange, (ii) the delay in publication of the 2020/2021 Annual Results, (iii) the resignation of the auditor, (iv) the Resumption Guidance, (v) the appointment of independent reviewer, (vi) the quarterly updates on suspension of trading, (vii) the delay in publication of 2021 Interim Results, (viii) the appointment of auditor, (ix) the date of Board meeting, (x) the delay in publication of the 2021/2022 Annual Results and the postponement of the Board Meeting, and (xi) the results of the Independent Review. Unless otherwise stated, the capitalised terms used herein shall have the same meaning as defined in the Announcements.

The board (the "Board") of directors (the "Directors") of the Company announces that as at the date of this announcement, the Company's external auditors, Moore Stephens CPA Limited, has completed its audit of the 2020/2021 Annual Results and the audited 2020/2021 Annual Results were approved by the Board on 1 September 2022. The audited 2020/2021 Annual Results together with comparative figures for the corresponding period in 2020 is presented as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2021

	Note	**2021** *US$'000*	2020 *US$'000*
Revenue	*3*	**117,506**	99,873
Cost of sales		**(116,637)**	(98,599)
Gross profit		**869**	1,274
Loss arising from a litigation		**(1,390)**	–
Other income, net	*4*	**48**	9
Selling expenses		**(129)**	(240)
Administrative expenses		**(1,377)**	(1,151)
Loss from operations		**(1,979)**	(108)
Finance costs	*5(a)*	**(283)**	(581)
Loss before taxation	*5*	**(2,262)**	(689)
Income tax	*6*	**–**	–
Loss and total comprehensive loss for the year		**(2,262)**	(689)
		US	*US*
Loss per share	*7*		
Basic and diluted		**(0.44 cents)**	(0.20 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment		**1**	2
Right-of-use assets		**57**	252
		58	254
Current assets			
Trade and other receivables	*8*	**37,470**	19,299
Pledged bank deposits		**900**	–
Cash and bank balances		**9,170**	10,425
		47,540	29,724
Current liabilities			
Trade and other payables	*9*	**2,655**	13,021
Contract liabilities		**2,500**	–
Discounted bills with recourse	*10*	**31,124**	3,138
Lease liabilities		**139**	320
		36,418	16,479
Net current assets		**11,122**	13,245
Total assets less current liabilities		**11,180**	13,499
Non-current liabilities			
Lease liabilities		**–**	57
Net assets		**11,180**	13,442
Capital and reserves			
Share capital		**662**	662
Reserves		**10,518**	12,780
Total equity		**11,180**	13,442

NOTES TO THE 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"). In the opinion of the directors, the ultimate holding company of the Company is Reignwood International Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability. 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 consolidated financial statements are presented in United States dollars ("US$") and rounded to the nearest thousand ("000"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019/20 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

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

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the coal and other commodities trading business. All of the revenue for the year ended 31 March 2021 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. The revenue from contracts with customers within HKFRS 15 is based on fixed price.

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

Coal and other commodities trading	**Year ended 31 March**			
	2021		2020	
	Amount	**% of total revenue**	Amount	% of total revenue
	US$'000		*US$'000*	
Customer 1	**N/A**	**N/A**	15,451	15%
Customer 2	**52,296**	**45%**	37,566	38%
Customer 3	**21,793**	**19%**	N/A	N/A
Customer 4	**12,428**	**11%**	15,942	16%

The revenue from Customer 1 and Customer 3 was less than 10% of the revenue of the Group for the year ended 31 March 2021 and 2020 respectively.

(b) Segment reporting

The Group has a single reportable segment which is "coal and other commodities trading". The information reported to the Group's management for the purpose of resource allocation and performance assessment presents the operating results of the Group as a whole since the Group's resources are integrated and no discrete operating segment is available. Accordingly, the operating segment information for this sole reportable segment is equivalent to the consolidated figures.

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 Non-current assets is based on the physical location of the asset.

	Revenue from external customers		**Non-current assets**	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Mainland China	**117,506**	99,873	**–**	–
Hong Kong	**–**	–	**58**	254
	117,506	99,873	**58**	254

4. OTHER INCOME, NET

	Note	**2021**	2020
		US$'000	*US$'000*
Bank interest income		**–**	1
Government subsidies	*(a)*	**61**	–
Net foreign exchange (loss) gain		**(13)**	8
		48	9

(a) The government subsidies were granted from the Employment Support Scheme, under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region which aims to retain employment and combat COVID-19 epidemics. In the opinion of the management of the Company, there were no unfulfilled conditions or contingencies relating to these subsidies.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2021	2020
	US$'000	*US$'000*
(a) Finance costs		
Interest on discounted bills	**274**	564
Interest on lease liabilities	**9**	17
	283	581
(b) Staff costs		
Salaries and other benefits	**594**	756
Contributions to defined contribution retirement plan	**15**	19
	609	775
(c) Other items		
Cost of inventories	**103,270**	87,455
Depreciation of property, plant and equipment	**1**	1
Depreciation of right-of-use assets	**195**	195
Auditors' remuneration		
— Annual audit	**161**	43
— Non-annual audit	**49**	13

6. INCOME TAX

Hong Kong Profits Tax, if any, is calculated at 16.5% (2020: 16.5%) on the assessable profits for the year. No provision for Hong Kong Profits Tax had been made for the years ended 31 March 2021 and 2020 as the Group's operations in Hong Kong incurred a loss for Hong Kong Profits Tax purpose.

The income tax provision in respect of operations in Singapore is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2021	2020
	US$'000	*US$'000*
Loss before taxation	**(2,262)**	(689)
Income tax at domestic tax rates in respective tax jurisdictions	**(373)**	(113)
Tax effect of non-taxable income	**(10)**	(2)
Tax effect of non-deductible expenses	**308**	43
Tax effect of tax losses not recognised	**75**	72
Income tax	**–**	–

Deferred tax assets not recognised

The Group has not recognised deferred tax asset in respect of tax losses of US$16,209,000 (2020: US$15,758,000) as it is not probable that sufficient taxable profits will be available to allow the tax losses to be utilised in the foreseeable future. The tax losses do not expire under current tax legislation.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of the Company of US$2,262,000 (2020: US$689,000) and the weighted average of 513,175,401 ordinary shares (2020: 344,921,171 ordinary shares) in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2020 has been adjusted to reflect the effect of rights issue during the year ended 31 March 2020 but there is no impact on the respective calculation before the date of rights issue as there is no bonus element in such rights issue.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share for the years ended 31 March 2021 and 2020 as there were no dilutive potential ordinary shares during these years.

8. TRADE AND OTHER RECEIVABLES

	Note	2021 *US$'000*	2020 *US$'000*
Trade and bills receivables	*8(a)*	**31,857**	14,702
Other receivables and deposits			
– Due from an Indonesian coal supplier	*8(c)*	**1,661**	1,510
– Due from others		**1,447**	(626)
		3,108	2,136
Prepayments			
Prepayments for supply contracts			
– Prepayment A	*8(b)*	**11,064**	11,064
– The Supplier	*8(c)*	**2,500**	2,456
Other prepayments		**5**	5
		13,569	13,525
Less: Impairment of Prepayment A	*8(b)*	**(11,064)**	(11,064)
		2,505	2,461
Total trade and other receivables		**37,470**	19,299

(a) Trade and bills receivables

Included in "Trade and other receivables" are trade and bills receivables 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:

	2021 *US$'000*	2020 *US$'000*
Within 1 month	**14,305**	7,780
More than 1 month but within 3 months	**17,552**	6,888
More than 3 months but within 6 months	**–**	34
	31,857	14,702

The credit terms offered to customers of coal and other commodities trading business are negotiated on a case-by-case basis which ranges from 7 to 30 days.

Included in trade and bills receivables of US$31,124,000 (2020: US$6,888,000) of bills receivables represented irrevocable letters of credit issued by banks, where the sales have been completed and presented the required shipping documents to the banks but pending the bank to settle the receivables before the due dates based on the credit terms given to the customers as stated in the sales agreement. Bills receivables of US$31,124,000 (2020: US$3,138,000) have been discounted to bank with full recourse as at 31 March 2021.

(b) Prepayment A

During the year ended 31 March 2014, the Group entered into coal sale and purchase agreements with a marketing agent of two coal miners in Indonesia and made prepayments of US$13,000,000 for the purpose of securing long-term supply of thermal coal from the relevant coal miners. During the year ended 31 March 2015, this original agreement was transformed into a new contract with another agent of the two coal miners in Indonesia. As at 31 March 2016, such prepayments with unutilised amount of 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, demand for repayment which were in vain, the directors made a full impairment loss of US$11,704,000 which was recognised in the consolidated statement of comprehensive income during the year ended 31 March 2016 in considering 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. During the year ended 31 March 2017, unutilised prepayments and other receivables in total of US$640,000 were recovered and recognised in the consolidated statement of comprehensive income during the year ended 31 March 2017.

As at 31 March 2021 and 2020, the amount of US$11,064,000 remained as irrecoverable and the impairment loss made in prior years remained as US$11,064,000. In the opinion of the directors of the Company, the Group will continue to negotiate with these coal miners to seek and consider all of their options to recover the prepayments, whether through supply of coal or otherwise, including potential legal action.

(c) Prepayment and other receivables arising from the Supplier

Before the year ended 31 March 2021

The Group started to purchase coal from a supplier (the "Supplier") in Indonesia since September 2019. For the first and second purchase contracts signed with the Supplier prepayments were made to the Supplier for securing the purchase of coal, and these prepayments were fully utilised after two months of the date of the relevant coal purchase contracts.

In December 2019, the Group entered into a third purchase contract with the Supplier with prepayment of US$5,500,000 made, of which the Group intended to sell the coal purchased to three independent customers. Two shipments were made to two customers in February 2020, and prepayment of US$3,044,000 was utilised, and remaining prepayment of US$2,456,000 remained unutilised as of 31 March 2020. In addition, demurrage charges of US$724,000 incurred and was charged to the Group which was to be borne by the Supplier due to heavy rainfall and floods in the Supplier's mine and the loading port. The third shipment to the third customer was canceled due to heavy rainfall and a cancellation and demurrage charges of US$537,000 was charged to the Group which was also to be borne by the Supplier. The total demurrage charges of US$1,261,000 were recorded as other receivables due from the Supplier as of 31 March 2020.

During the year ended 31 March 2021

About the third purchase contract with the Supplier, the Group tried to coordinate shipment with the Supplier for utilising the remaining prepayment of US$2,456,000 in April and May 2020, however, the Supplier was unable to make the shipment of the coal required due to bad weather, flood in the coal mine and Covid-19 pandemic in Indonesia. In this regard, the Supplier agreed to compensate US$300,000 to the Group. Hence, the other receivables due from the Supplier increased to US$1,561,000. In July 2020, the Group and the Supplier arranged another shipment and the prepayment of US$1,647,000 was utilised in this shipment and a demurrage charge of US$85,000 was charged and to be borne by the Supplier. The unutilised prepayment from Supplier decreased to US$809,000 while the other receivables from the Supplier became US$1,647,000.

In October 2020, the Group entered into a fourth purchase contract with the Supplier together with an additional supplier in Indonesia (which is a sub-contractor mining company of the Supplier) and the Supplier acted as a guarantor to guarantee the quality and quantity of the supply of the coal supplied in this contract. Such guarantee services provided by the Supplier utilised US$268,000 of the remaining prepayment due from the Supplier. Accordingly, the unutilised prepayment from Supplier was reduced to US$541,000 while other receivables due from the Supplier remained at US$1,647,000.

In December 2020, the Group entered into a fifth purchase contract with the Supplier, of which there were two shipments arranged by the Supplier and the remaining outstanding prepayment of US$541,000 were fully utilised, while there was an increase of US$14,000 after the netoff impact of outstanding other receivables utilised and charging of demurrage to the Supplier due to these two shipments. The outstanding other receivables due from the Supplier became US$1,661,000.

In March 2021, the Group entered into two sales of coal contract with customer A ("Customer A") and customer B ("Customer B"), which made advance payments to the Group of US$1,500,000 and US$1,000,000, respectively. The Group entered into a sixth purchase contract with the Supplier and made a new prepayment of US$2,500,000 (the "New Prepayment") to the Supplier in order to secure the coal supply. No shipment was able to be arranged for this sixth purchase contract as at 31 March 2021 due to further delay in the shipment.

As a result of the above transactions, the amount of the New Prepayment remained as US$2,500,000 and the amount of other receivables due from the Supplier (mainly arising from demurrage charges and compensation charged due from the Supplier) was US$1,661,000 as at 31 March 2021.

Events subsequent to the year ended 31 March 2021

In June 2021, only one of the shipments arranged by the Supplier under the sixth purchase contract took place. In respect of this shipment, prepayment of US$250,000 was utilised from the New Prepayment and the amount of US$1,499,000 was utilised from the other receivables. Following the above shipment in June 2021, the New Prepayment became US$2,250,000 while the other receivables due from the Supplier became US$162,000 as at 30 June 2021.

In July 2021, the management of the Group has started to negotiate with the Supplier, Customer A and Customer B for entering into novation agreements, after considering the following facts which the management considered it is in the best interest of the Group to enter into novation agreements:

- The president director of the Supplier has passed away in July 2021 which created uncertainty regarding the Supplier's status;

- The utilisation of outstanding balances due from the Supplier (through shipments to Customer A and Customer B) remained unforeseeable due to the lockdown in Indonesia because of Covid-19; and

- The willingness of the Supplier and Customer A to enter the novation agreement as they can benefit from building direct business relationship and skip the Group from being the middle-sales in the coal transactions in future.

Customer A requested the Group for a total of US$2,200,000 of demurrage and compensation charges for non-shipment of coal since March 2021; the Group has agreed to such charges as the Supplier has agreed to bear the whole US$2,200,000 demurrage and compensation charges. In the opinion of the directors of the Company, the reason why the Supplier would bear the charges was that the Supplier admitted it had delayed the shipment (due to Covid-19 lockdown and bad weather) which led to such compensation.

Accordingly, the prepayment remained at US$2,250,000 while the other receivables due from the Supplier has become US$2,362,000 as of July 2021.

In September 2021, the Group, the Supplier, Customer A and Customer B entered into novation agreements (the "Novation Agreements"), whereas:

- the outstanding prepayment due from the Supplier of US$2,250,000 and the demurrage and compensation charges of US$2,200,000 payable by the Supplier would be novated to a subsidiary of Customer A ("Customer A's Subsidiary") (i.e. Customer A's Subsidiary replaced the Group as the party in the sixth purchase contract);

- the unutilized advance payment made by Customer A to the Group of US$1,000,000 and the demurrage and compensation charges of US$2,200,000 payable by the Group would be novated to Customer A's Subsidiary (i.e. Customer A's Subsidiary replaced the Group as the seller in the sales contract between the Group and Customer A);

- the unutilized advance payment made by Customer B to the Group of US$1,250,000 would be novated to Customer A's Subsidiary (i.e. Customer A's Subsidiary replaced the Group as the seller in the sales contract between the Group and Customer B); and

- the remaining outstanding other receivables due from the Supplier of US$162,000 was novated to Customer A's Subsidiary.

In connection with the Novation Agreements, the Group obtained a legal opinion dated 12 October 2021 that the Novation Agreements are legally enforceable under Singaporean law, and the Group has no more claims, whether accrued or contingent, known or unknown against each other under the Novation Agreements.

Following the Novation Agreements, only the amount of US$162,000 remained as other receivables and it has been subsequently repaid in March 2022.

9. TRADE AND OTHER PAYABLES

		2021	2020
	Note	***US$'000***	*US$'000*
Trade payables		**–**	11,150
Other payables and accrued expenses		**2,171**	1,871
Other payables for litigation	*11*	**484**	–
		2,655	13,021

The trade and other payables are expected to be settled within one year or are repayable on demand.

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

	2021	2020
	US$'000	*US$'000*
Within 1 month	**–**	11,150

10. DISCOUNTED BILLS WITH RECOURSE

Bills discounted with banks at effective interest rates ranging from 0.94% to 1.24% (2020: 3.31% to 3.86%) per annum as at 31 March 2021 have maturity profiles of no more than 180 days (2020: 90 days).

11. LITIGATION

At 31 March 2020, the Group was 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 0.0000033% of the total issued share capital of Brave Win; (ii) 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 relation to the Disposal and filed a claim of US$700,000 plus interest against the Company in the High Court of Hong Kong. The amount was disclosed as "Contingent Liabilities" in the consolidated financial statements since the year ended 31 March 2016.

The trial of the action took place before the Court of First Instance of the High Court of Hong Kong in December 2020. On 25 February 2021, the Court of First Instance handed down a judgment in favour of Landway and awarded damages in the sum of US$700,000 (the "Claimed Amounts") at the time of payment to Landway (the "Judgment"). The Company was also ordered to pay Landway's costs of the action (the "Landway's Costs") of approximately US$484,000 (equivalent to HK$3,750,000).

After seeking legal advice and considering the costs and benefits of pursuing an appeal, the directors of the Company have determined that the Company will not appeal against the Judgment in favour of Landway. The Group recognized aggregate approximately US$1,390,000, representing the Claimed Amounts, the Landway's Costs and the related legal expenses incurred, as litigation expenses in the consolidated statement of comprehensive income for the year ended 31 March 2021. The Claimed Amounts has been paid to Landway during the year and the Landway's Costs is yet to be settled and included in "trade and other payables" (Note 9) as at 31 March 2021.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: Nil).

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to mainly operate its coal trading business during the year ended 31 March 2021. 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 to trading customers, the ultimate consumer of the supplies is generally unknown to the Group.

The Group's revenue for the year ended 31 March 2021, which was generated from its coal and other trading business, increased to US$117.5 million (2020: US$99.9 million). The Group's gross profit from its coal and other trading business was US$0.9 million for the year ended 31 March 2021 (2020: US$1.3 million).

It is the Company's policy not to carry any 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 of the required quantity, specification and delivery period at the best available price from the Group's suppliers, which include coal mine owners, operators or their agents, and offering the same to the Group's customers at an appropriate mark up in price and other settlement terms.

Loss before taxation for the year ended 31 March 2021 was US$2.3 million, representing US$0.4 million of loss from the coal and other trading business, US$1.4 million of litigation expenses and US$0.5 million of corporate overhead expenses. In comparison, loss before taxation for the year ended 31 March 2020 was US$0.7 million, representing US$0.2 million of loss from the coal and other trading business, and US$0.5 million of corporate overhead expenses.

REVIEW OF OPERATIONS

During the year ended 31 March 2021, the performance of the coal and other trading business has improved with revenue of US$117.5 million, representing an increase of 17.6% or US$17.6 million, as compared with US$99.9 million for the year ended 31 March 2020. The increase in revenue was mainly a result of the Group's acquiring new customers through market exploration. The Group mainly sold coals originated from Indonesia, Russia and Australia to Mainland China, with a total volume of approximately 2.07 million metric tonnes ("MT") as compared to approximately 1.82 million MT in previous year. Also, the Group sold corn originated from Russia to Mainland China in a total volume of approximately 8,300 MT for the year ended 31 March 2021 (2020: Nil).

The gross profit of the Group amounted to approximately US$0.9 million for the year ended 31 March 2021. The lower gross profit as compared to approximately US$1.3 million in the previous year was mainly a result of the Group's adoption of safe trading strategy, which was to select lower gross profit margin coal transactions with less credit risk during the COVID-19 pandemic and under the global economic uncertainties.

Selling and administrative expenses primarily consisted of employee benefits costs as well as corporate expenses which amounted to approximately US$1.5 million for the year ended 31 March 2021 (2020: US$1.4 million). The slight increase in selling and administrative expenses was mainly due to net effect of reduction in one headcount in the trading department and the increase in administrative expenses as a result of incorporation of a new subsidiary in Singapore. Litigation expenses of approximately US$1.4 million (2020: Nil) comprised legal and professional fees of approximately US$0.2 million incurred mainly in connection with legal proceedings action by Landway against the Company and damages awarded by the Court of First Instance in favour of Landway in the sum of US$0.7 million (or the Hong Kong Dollar equivalent at the time of payment) with a cost order nisi that the Company shall pay Landway's cost of the action of approximately US$0.5 million.

Finance costs of US$0.3 million incurred during the year ended 31 March 2021 (2020: US$0.6 million) arose from the bills discounted in trade and the lease liabilities. The decrease in finance costs by approximately US$0.3 million was mainly attributable to the decrease in interest rates during the year ended 31 March 2021.

The Group's loss and recorded loss before taxation of US$2.3 million for the year ended 31 March 2021 increased as compared to loss before taxation of US$0.7 million for the year ended 31 March 2020 which was mainly due to the litigation expenses of US$1.4 million (2020: Nil) regarding Landway's legal claim incurred for the year ended 31 March 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Directors continue their conservative positioning in managing the Group's working capital.

As at 31 March 2021, cash and bank balances together with pledged bank deposit for the Group amounted to approximately US$10.0 million as compared to US$10.4 million as at 31 March 2020. The cash and bank balances are maintained in the current year.

As at 31 March 2021, the Group had no other borrowings except for the discounted bills with recourse amounting to US$31.1 million as compared to US$3.1 million as at 31 March 2020. The Group adopted more letters of credit ("L/C") with longer usance days for settlement of its coal trading near the reporting date of the current year and therefore the number of L/Cs as at 31 March 2021 was materially more than those as at 31 March 2020. The discounting of bills receivable was a short term trade unexpired/open facility and the underlying bills receivable had maturity periods of 180 days after the receipt of required documents by nominated banks and were covered by corresponding letters of credit. As at 31 March 2021, the Group's debt to equity ratio, being total debt to total equity, was approximately 326% (31 March 2020: 123%).

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 (2020: 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 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 the Directors believe that the Group has adequate liquidity to meet its current and future working capital requirements.

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 applied, as intended, 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 analysis of the intended use and the actual use of the Net Proceeds from the Rights Issue as at 31 March 2021 is set out below:

	Intended use of Net Proceeds as stated in the prospectus of the Company dated 3 March 2020	**Actual use of Net Proceeds as at 31 March 2021**	**Unutilised Net Proceeds as at 31 March 2021**
	HK$'million	*HK$'million*	*HK$'million*
Trading of coal mainly and also other commodities in the ordinary course of the Group's trading operations	47.6	47.6	–
General working capital of the Group	5.3	5.3	–
Total	52.9	52.9	–

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the year ended 31 March 2021 and the period from 1 April 2021 to the date of this announcement.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisition, disposal and significant investment during the year ended 31 March 2021.

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, Singapore 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.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no capital commitments (31 March 2020: Nil).

PROSPECT

Looking forward, the Group expects to continue to face challenges in the future business environment with many uncertainties in the global and local business environment, including China's management of coal imports in the wake of the impact of the COVID-19 pandemic as well as the uncertainties and/or possible escalation of the Sino Australian trade tensions resulting 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 its profit margin and payment terms and its performance. The Group will closely monitor the impact of the macro issues on its performance, and will carefully plan and develop strategies to manage these factors to provide the best possible results to shareholders in the medium to long-term.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 9 full-time (31 March 2020: 9) employees in Hong Kong and Singapore. 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 commensurate to individual's performance and the Group's overall 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 remuneration structure of the Directors, 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 purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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 the code of conduct regarding securities transactions by Directors and by relevant employees of the Group. All Directors confirmed, following specific enquiries made by the Company, that they fully complied with the Model Code and its code of conduct regarding the Directors' securities transactions during the year ended 31 March 2021.

CORPORATE GOVERNANCE

The Company complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2021 except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2021, Ms. RUAYRUNGRUANG Woraphanit acted as the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"). The Board considers that the 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 the 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 Woraphanit and believes that her holding of the positions of the Chairman and the CEO is beneficial to the business development of the Group.

With effect from 8 July 2022, Ms. RUAYRUNGRUANG Woraphanit, the executive Director, was re-designated as a non-executive Director and resigned as the Chairman and the CEO due to change of work arrangement; and Mr. LAI Yi-Chun (also known as Robert LAI) was appointed as the Chairman and the CEO. The Board considers that the 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 the 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. LAI Yi-Chun (also known as Robert LAI) and believes that his holding of the positions of the Chairman and the CEO is beneficial to the business development of the Group. The Board will nevertheless regularly review the effectiveness of the structure to ensure that the structure is appropriate in view of the Group's prevailing circumstances.

During the year ended 31 March 2021, the Company arranged appropriate insurance cover for the Directors' and officers' liabilities arising from the businesses of the Group. Under the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. Due to the suspension of trading of the shares of the Company on the Stock Exchange since 2 July 2021, the Company is unable to extend the insurance cover which was expired in February 2022 and will source a new insurance cover in future.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management and the external auditor of the Company on the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2021 with no disagreement by the Audit Committee.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2021 as set out in the results announcement have been agreed by the Company's auditor, Moore Stephens CPA Limited ("Moore Stephens"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by Moore Stephens in this respect did not constitute an 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 Moore Stephens on the results announcement.

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 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

CONTINUED SUSPENSION OF TRADING

In accordance with Rule 13.50 of the Listing Rules, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
ARES ASIA LIMITED
LAI Yi-Chun
(also known as Robert LAI)
Chairman

Hong Kong, 1 September 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. LAI Yi-Chun (also known as Mr. Robert LAI) (Chairman) and Mr. LUO Xiao; one non-executive Director, namely Ms. RUAYRUNGRUANG Woraphanit; and three independent non-executive Directors, namely Mr. CHANG Jesse, Mr. YEUNG Kin Bond, Sydney and Mr. LIU Ji.