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 2022 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 June 2022, 20 June 2022, 30 June 2022, 18 August 2022, 22 August 2022, 1 September 2022, 8 September 2022, 14 September 2022 and 15 September 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 annual results for the year ended 31 March 2021 (the "FY21 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 the 2021 Interim Results, (viii) the appointment of auditor, (ix) the date of the Board meeting, (x) the delay in publication of the annual results for the year ended 31 March 2022 (the "FY22 Annual Results") and the postponement of the Board Meeting, (xi) the results of the Independent Review, (xii) the publication of the FY21 Annual Results, (xiii) the publication of the 2021 Interim Results, and (xiv) the Additional Resumption Guidance. 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 FY22 Annual Results and the audited FY22 Annual Results were approved by the Board on 28 September 2022. The audited FY22 Annual Results together with comparative figures for the corresponding period in 2021 is presented as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	Note	**2022** *US$'000*	2021 *US$'000*
Revenue	*3*	**101,556**	117,506
Cost of sales		**(101,148)**	(116,637)
Gross profit		**408**	869
Loss arising from a litigation		**–**	(1,390)
Other income, net	*4*	**29**	48
Selling expenses		**(95)**	(129)
Impairment loss on right-of-use assets		**(545)**	–
Administrative expenses		**(1,725)**	(1,377)
Loss from operations		**(1,928)**	(1,979)
Finance costs	*5(a)*	**(200)**	(283)
Loss before taxation	*5*	**(2,128)**	(2,262)
Income tax	*6*	**–**	–
Loss and total comprehensive loss for the year		**(2,128)**	(2,262)
		US	*US*
Loss per share	*7*		
Basic and diluted		**(0.41 cents)**	(0.44 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Note	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment		**1**	1
Right-of-use assets		**–**	57
		1	58
Current assets			
Trade and other receivables	*8*	**14,938**	37,470
Pledged bank deposits		**900**	900
Cash and bank balances		**8,781**	9,170
		24,619	47,540
Current liabilities			
Trade and other payables	*9*	**14,035**	2,655
Contract liabilities		**1,000**	2,500
Discounted bills with recourse	*10*	**–**	31,124
Lease liabilities		**277**	139
		15,312	36,418
Net current assets		**9,307**	11,122
Total assets less current liabilities		**9,308**	11,180
Non-current liabilities			
Lease liabilities		**256**	–
Net assets		**9,052**	11,180
Capital and reserves			
Share capital		**662**	662
Reserves		**8,390**	10,518
Total equity		**9,052**	11,180

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 FY2021 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 revised HKFRSs

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these 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 2022 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**	
	2022	2021
	Amount	Amount
	US$'000	*US$'000*
Customer 1	**26,270**	N/A
Customer 2	**9,773**	52,296
Customer 3	**N/A**	21,793
Customer 4	**N/A**	12,428
Customer 5	**13,521**	N/A
Customer 6	**11,449**	N/A

No revenue was generated from Customers 3 and 4, and Customers 1, 5 and 6 for the year ended 31 March 2022 and 2021 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**	
	2022	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*
Mainland China	**101,556**	117,506	**–**	–
Hong Kong	**–**	–	**–**	58
Singapore	**–**	–	**1**	–
	101,556	117,506	**1**	58

4. OTHER INCOME, NET

	Note	**2022**	2021
		US$'000	*US$'000*
Government subsidies	*(a)*	**29**	61
Net foreign exchange loss		**–**	(13)
		29	48

(a) Government subsidies were granted from the governments of Singapore and the Hong Kong Special Administrative Region under the relevant employment support scheme for the years ended 31 March 2022 and 2021.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2022	2021
	US$'000	*US$'000*
(a) Finance costs		
Interest on discounted bills	**181**	274
Interest on lease liabilities	**19**	9
	200	283
(b) Staff costs		
Salaries and other benefits	**801**	594
Contributions to defined contribution retirement plan	**9**	15
	810	609
(c) Other items		
Cost of inventories	**96,007**	103,270
Depreciation of property, plant and equipment	**1**	1
Depreciation of right-of-use assets	**97**	195
Auditors' remuneration		
— Annual audit	**151**	161
— Non-annual audit	**15**	49

6. INCOME TAX

Hong Kong Profits Tax, if any, is calculated at 16.5% (2021: 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 2022 and 2021 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:

	2022	2021
	US$'000	*US$'000*
Loss before taxation	**(2,128)**	(2,262)
Income tax at domestic tax rates in respective tax jurisdictions	**(351)**	(373)
Tax effect of non-taxable income	**(5)**	(10)
Tax effect of non-deductible expenses	**148**	308
Tax effect of deductible temporary difference not recognised	**90**	–
Tax effect of tax losses not recognised	**118**	75
Income tax	**–**	–

Deferred tax assets not recognised

The Group has not recognised deferred tax asset in respect of tax losses of US$16,924,000 (2021: US$16,209,000) 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$2,128,000 (2021: US$2,262,000) and the weighted average of 513,175,401 ordinary shares (2021: 513,175,401 ordinary shares) in issue during the year.

(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 2022 and 2021 as there were no dilutive potential ordinary shares during these years.

8. TRADE AND OTHER RECEIVABLES

	Note	2022 US$'000	2021 US$'000
Trade and bills receivables	*8(a)*	**14,628**	31,857
Other receivables and deposits			
– Due from an Indonesian coal supplier	*8(c)*	**–**	1,661
– Due from others		**107**	1,447
		107	3,108
Prepayments			
Prepayments for supply contracts			
– Prepayment A	*8(b)*	**11,064**	11,064
– The Supplier	*8(c)*	**–**	2,500
Other prepayments		**203**	5
		11,267	13,569
Less: Impairment of Prepayment A	*8(b)*	**(11,064)**	(11,064)
		203	2,505
Total trade and other receivables		**14,938**	37,470

(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:

	2022 US$'000	2021 US$'000
Within 1 month	**9,585**	14,305
More than 1 month but within 3 months	**5,043**	17,552
More than 3 months but within 6 months	**–**	–
	14,628	31,857

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.

No irrevocable letters of credit were 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 were included in trade and bills receivables (2021: US$31,124,000). No bills receivables have been discounted to bank with full recourse as at 31 March 2022 (2021: US$31,124,000).

(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 2022 and 2021, 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.

During the year ended 31 March 2022

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 repaid in March 2022.

9. TRADE AND OTHER PAYABLES

	Note	**2022**	2021
		US$'000	*US$'000*
Trade payables		**13,585**	–
Other payables and accrued expenses		**450**	2,171
Other payables for litigation	*11*	**–**	484
		14,035	2,655

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:

	2022	2021
	US$'000	*US$'000*
Within 1 month	**9,549**	–
More than 1 month but less than 3 months	**4,036**	–
	13,585	–

10. DISCOUNTED BILLS WITH RECOURSE

There were no bills discounted with bank as at 31 March 2022. The bills discounted with banks at effective interest rates ranging from 0.94% to 1.24% per annum as at 31 March 2021 have maturity profiles of no more than 180 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 ended 31 March 2021, while the Landway's Costs has been included in "trade and other payables" (Note 9) as at 31 March 2021 and has been settled during the year ended 31 March 2022.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

BUSINESS AND FINANCIAL HIGHLIGHTS

The Group continued to mainly operate its coal and other commodities trading business during the year ended 31 March 2022. 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 2022, which was generated from its coal and other commodities trading business, decreased to US$101.6 million (2021: US$117.5 million). The Group's gross profit from its coal and other commodities trading business was US$0.4 million for the year ended 31 March 2022 (2021: US$0.9 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 2022 was US$2.1 million, representing US$0.9 million of loss from the coal and other commodities trading business, US$0.6 million of impairment loss on right-of-use assets and US$0.6 million of corporate overhead expenses. In comparison, 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 expense and US$0.5 million of corporate overhead expenses.

REVIEW OF OPERATIONS

During the year ended 31 March 2022, the performance of the coal and other commodities trading business has recorded revenue of approximately US$101.6 million, representing a decrease of 13.5% or approximately US$15.9 million, as compared with approximately US$117.5 million for the year ended 31 March 2021. The decrease in revenue was mainly a result of the poor market conditions due to Covid-19 pandemic. The Group mainly sold coals originated from Indonesia, Russia and Australia to Mainland China, with a total volume of approximately 1.25 million metric tonnes ("MT") as compared to approximately 2.07 million MT in previous year. Also, the Group sold corn originated from Russia to Mainland China in a total volume of approximately 4,700 MT for the year ended 31 March 2022 (2021: 8,300 MT).

The gross profit of the Group amounted to approximately US$0.4 million for the year ended 31 March 2022. The lower gross profit as compared to approximately US$0.9 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$1.8 million for the year ended 31 March 2022 (2021: US$1.5 million). The increase in selling and administrative expenses was mainly due to the commencement of operation of a new subsidiary in Singapore.

Finance costs of US$0.2 million incurred during the year ended 31 March 2022 (2021: US$0.3 million) arose from the bills discounted in trade and the lease liabilities. The decrease in finance costs by approximately US$0.1 million was mainly attributable to the decrease in turnover during the year ended 31 March 2022.

The Group recorded loss before taxation of US$2.1 million for the year ended 31 March 2022, which decreased as compared to loss before taxation of US$2.3 million for the year ended 31 March 2021. This was mainly because there were no litigation expenses for the year ended 31 March 2022 (2021: US$1.4 million) while such decrease was partially offset by the decrease in gross profit, the increase in selling and administrative expenses and a provision for impairment loss on right-of-use assets during the year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2022, cash and bank balances together with pledged bank deposit for the Group amounted to approximately US$9.7 million as compared to US$10.0 million as at 31 March 2021. The balances slightly decreased during the year.

As at 31 March 2022, the Group had no other borrowings as compared to the discounted bills with recourse amounting to US$31.1 million as at 31 March 2021 as the bill receivables that were covered by letters of credit were fully settled as at 31 March 2022. 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 2022, the Group's debt to equity ratio, being total debt to total equity, was approximately 172% (31 March 2021: 326%).

The Group implements tight control on its credit and collection policies. As stipulated in the sale and purchase agreements for the coal and other commodities trading business, irrevocable letters of credit, up to a tenor of 180 days (2021: 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 commodities 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.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

The Group did not have any material acquisition, disposal and significant investment during the year ended 31 March 2022.

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 2022, the Group had no capital commitments (31 March 2021: 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 2022, the Group had a total of 7 full-time (31 March 2021: 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Monday, 7 November 2022 to Thursday, 10 November 2022 (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, unregistered holders of the shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 November 2022.

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 2022.

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 complied with the Model Code and its code of conduct regarding the Directors' securities transactions during the year ended 31 March 2022.

CORPORATE GOVERNANCE

The Company complied with the code provisions as set out in the Corporate Governance Code in effect during the year ended 31 March 2022 (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2022 except for the following deviation:

a) 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 2022, 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.

b) From April 2021 to February 2022, 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.

c) Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Under the code provision E.1.2 of the CG Code, the chairman of the board, the chairmen of the audit, remuneration, nomination committees and the external auditor should attend the annual general meeting.

   As the annual general meeting of the Company had not been held during the year ended 31 March 2022 due to delay in completion of the audit of the annual results of the Group for the year ended 31 March 2021 following the resignation of the former auditor of the Company, Mazars CPA Limited, on 11 August 2021, the chairman of the Board and the Board committees, and the auditor of the Company did not attend the annual general meeting of the Company.

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 the internal control of the Group with an engaged external professional consultant and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2022 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 2022 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 2022. 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on 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 annual report of the Company for the year ended 31 March 2022 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, 28 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.