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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 AND CONTINUED SUSPENSION OF TRADING

References are made to the announcements (the "Announcements") of Ares Asia Limited (the "Company") dated 5 October 2021, 30 November 2021, 31 December 2021, 31 March 2022, 20 and 30 June 2022, and 31 August 2022, in relation to, among others, (i) the Resumption Guidance, (ii) the delay in publication of 2021 Interim Results, (iii) the quarterly update on suspension of trading, (iv) the date of the Board meeting, and (v) the postponement of the Board Meeting. 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 hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2021 (the "Period") together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Note	Unaudited Six months ended 30 September **2021** *US$'000*	2020 *US$'000*
Revenue	*3*	**73,740**	45,137
Cost of sales		**(73,428)**	(44,836)
Gross profit		**312**	301
Other income	*4*	**2**	–
Selling expenses		**(57)**	(78)
Impairment loss on right-of-use assets		**(545)**	–
Administrative expenses		**(877)**	(501)
Loss from operations		**(1,165)**	(278)
Finance costs		**(164)**	(139)
Loss before taxation	*5*	**(1,329)**	(417)
Income tax	*6*	**–**	–
Loss and total comprehensive loss for the period		**(1,329)**	(417)
Loss per share			
Basic and diluted	*8*	**(0.26) cent**	(0.08) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Note	Unaudited At 30 September 2021 US$'000	Audited At 31 March 2021 US$'000
Non-current assets			
Property, plant and equipment		**2**	1
Right-of-use assets		**–**	57
		2	58
Current assets			
Trade and other receivables	*9*	**700**	37,470
Pledged bank deposits		**1,408**	900
Cash and bank balances		**8,804**	9,170
		10,912	46,222
Non-current liabilities			
Lease liabilities		**351**	–
		351	–
Current liabilities			
Trade and other payables	*10*	**437**	2,655
Contract liabilities	*11*	**–**	2,500
Discounted bills with recourse	*12*	**–**	31,124
Lease liabilities		**275**	139
		712	36,418
Net current assets		**10,200**	11,122
Net assets		**9,851**	11,180
Capital and reserves			
Share capital		**662**	662
Reserves		**9,189**	10,518
Total equity		**9,851**	11,180

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Unaudited				
	Share capital	**Share premium account**	**Contributed surplus**	**Accumulated losses**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 April 2021	**662**	**6,777**	**15,088**	**(11,347)**	**11,180**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**(1,329)**	**(1,329)**
Balance at 30 September 2021	**662**	**6,777**	**15,088**	**(12,676)**	**9,851**
Balance at 1 April 2020	662	6,777	15,088	(9,085)	13,442
Loss and total comprehensive loss for the period	–	–	–	(417)	(417)
Balance at 30 September 2020	662	6,777	15,088	(9,502)	13,025

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Unaudited Six months ended 30 September 2021 US$'000	**2020 US$'000**
Operating activities		
Decrease in trade and other receivables *(note)*	**36,770**	1,588
Decrease in trade and other payables *(note)*	**(4,718)**	(9,279)
Other cash flows used in operating activities	**(688)**	(320)
Net cash generated from/(used in) operating activities	**31,364**	(8,011)
Investing activities		
Other cash flows used in investing activities	**(508)**	–
Net cash used in investing activities	**(508)**	–
Financing activities		
(Decrease)/increase in discounted bills with recourse	**(31,124)**	7,965
Other cash flows used in financing activities	**(98)**	(135)
Net cash (used in)/generated from financing activities	**(31,222)**	7,830
Net decrease in cash and cash equivalents	**(366)**	(181)
Cash and cash equivalents at 1 April	**9,170**	10,425
Cash and cash equivalents at 30 September	**8,804**	10,244

Note: Included decrease in trade and other receivables of US$4,450,000 and decrease in trade and other payables of US$4,450,000 were non-cash transactions which have been novated during the six months ended 30 September 2021 as disclosed in note 9(c).

NOTES TO THE CONDENSED 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"). The address of the registered office and principal place of business of the Company is located at Unit No. 9608 level 96, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The trading in the Shares of the Company on the Main Board of the Stock Exchange has been suspended with effect from 2 July 2021.

These unaudited condensed consolidated interim financial statements are presented in United States dollars ("US$") and rounded to the nearest thousand ("000"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 (the "Interim Financial Statements") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 — "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information relating to the financial year ended 31 March 2021 that is included in the Interim Financial Statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements.

The Interim Financial Statements have been prepared on the historical cost basis.

(b) Changes in accounting policies

The accounting policies adopted and methods of computation used in the preparation of the Interim Financial Statements are consistent with those applied in preparing those presented in the Group's annual consolidated financial statements for the year ended 31 March 2021. In the current interim period, the Group has applied the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on or after 1 April 2021:

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

None of these news/revised standards has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Interim Financial Statements.

The HKICPA has issued several news/revised HKFRSs that are not yet effective for the current accounting period of the Group, which the Group has not early adopted. The Group does not anticipated that the adoption of the news/revised HKFRSs in the future periods will have any material impact on the consolidated financial statements of the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the coal and other trading business. All of the revenue for the six months ended 30 September 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.

(b) Segment reporting

The Group has a single business segment which is "coal and other commodities trading". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment 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 property, plant and equipment and right-of-use assets is based on the physical location of the asset.

	Revenue from external customers		**Non-current assets**	
	Unaudited		**Unaudited**	Audited
	Six months ended		**At**	At
	30 September		**30 September**	31 March
	2021	2020	**2021**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*
Mainland China	**73,740**	45,137	**–**	–
Hong Kong	**–**	–	**–**	57
Singapore	**–**	–	**2**	1
	73,740	45,137	**2**	58

4 OTHER INCOME

	Unaudited Six months ended 30 September **2021** ***US$'000***	 2020 *US$'000*
Net foreign exchange gain	**2**	–

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Unaudited Six months ended 30 September **2021** ***US$'000***	 2020 *US$'000*
Depreciation of property, plant and equipment	**1**	1
Depreciation of right-of-use assets	**97**	97
Staff costs	**399**	232
Cost of inventories	**69,286**	39,529
Finance costs	**164**	139

6 INCOME TAX

No provision for Hong Kong and Singapore Profits Tax had been made for the six months ended 30 September 2021 and 2020 as the Group's operations in Hong Kong and Singapore sustained a loss for Hong Kong and Singapore Profits Tax purpose.

7 DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$1,329,000 (six months ended 30 September 2020: US$417,000) and the weighted average of 513,175,401 ordinary shares (six months ended 30 September 2020: 513,175,401 ordinary shares) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as that basic loss per share for the six months ended 30 September 2021 and 2020 as there were no dilutive potential ordinary shares during the period.

9 TRADE AND OTHER RECEIVABLES

	Note	**Unaudited At 30 September 2021** ***US$'000***	Audited At 31 March 2021 *US$'000*
Within 1 month		**–**	14,305
More than 1 month but within 3 months		**–**	17,552
Trade debtors and bills receivable		**–**	31,857
Other receivables and deposits			
— Due from an Indonesian coal supplier (the "Supplier")	*(c)*	**162**	1,661
— Due from others		**187**	1,447
		349	3,108
Prepayments			
Prepayments for supply contracts			
— Prepayment A	*(b)*	**11,064**	11,064
— The Supplier	*(c)*	**–**	2,500
Other prepayments		**351**	5
		11,415	13,569
Less: Impairment of Prepayment A	*(b)*	**(11,064)**	(11,064)
		351	2,505
Total trade and other receivables		**700**	37,470

(a) As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) is presented, based on the invoice date (or date of revenue recognition, if earlier).

The credit terms offered to customers of coal and other commodities trading business are negotiated on a case-by-case basis. Irrevocable letters of credit, up to a tenor of 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 vessel's arrival at loading port as stipulated in the sales agreements.

(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 30 September 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 six months ended 30 September 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.

As at 30 September 2021, only the amount of US$162,000 remained as other receivables and it has been subsequently repaid in March 2022.

10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	Unaudited At 30 September 2021 *US$'000*	Audited At 31 March 2021 *US$'000*
Within 1 month	**–**	–
Trade creditors	**–**	–
Other payables and accrued expenses	**437**	2,171
Other payables for litigation	**–**	484
	437	2,655

11 CONTRACT LIABILITIES

The movements (excluding those arising from increases and decreases both occurred within the same period/year) of contract liabilities from contracts with customers within HKFRS 15 during the period/year are as follows:

	Unaudited For the six months ended 30 September 2021 *US$'000*	Audited For the year ended 31 March 2021 *US$'000*
At the beginning of the reporting period	**2,500**	–
Receipt of advances	**–**	2,500
Revenue recognised during the period	**(250)**	–
Novation arrangement	**(2,250)**	–
At the end of the reporting period	**–**	2,500

The Contract liabilities represented the prepayment received from Customer A and Customer B in March 2021. During the six months ended 30 September 2021, US$2,250,000 have been novated under the Novation Agreement as stated in Note 9(c).

12 DISCOUNTED BILLS WITH RECOURSE

There were no bills discounted with banks as at 30 September 2021. The bills discounted with banks at an effective interest rate ranging from 0.94% to 1.24% per annum as at 31 March 2021 had maturity profiles of no more than 180 days.

13 LITIGATION

The Group ceased the operation of its footwear business in January 2013. Further, as disclosed in the Company's announcement dated 26 February 2014, the Company entered into a sale and purchase agreement (the "agreement") with Landway Investments Limited ("Landway"), a company wholly owned by a director of Brave Win Industries Limited ("Brave Win") to dispose of (i) 1 share of Brave Win, representing 0.0000033% of the total issued share capital of Brave Win; (ii) the 1,000 shares of China Compass Investments Limited ("China Compass"), representing the entire issued share capital of China Compass; and (iii) the unsecured and interest-free shareholder's loan in the principal amount of approximately 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 and the Landway's Costs was yet to be settled and included in "Trade and Other Payables" in the consolidated financial statements for the year ended 31 March 2021. The Landway's Costs was subsequently settled during the six months ended 30 September 2021.

14 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors disclosed in the unaudited condensed consolidated financial statement is as follows:

	Unaudited Six months ended 30 September	
	2021	2020
	US$'000	*US$'000*
Salaries and other short-term employee benefits	**143**	55
Retirement scheme contributions	**1**	1
	144	56

(b) Transaction with a fellow subsidiary

	Unaudited Six months ended 30 September	
	2021	2020
	US$'000	*US$'000*
Repayment of lease liabilities and interest on lease liabilities	**106**	135
Building management fee and utility charges	**15**	16

During the six months ended 30 September 2021, the Group committed to repay lease liabilities and interest on lease liabilities of US$232,000 (2020: US$223,000), of which US$127,000 (2020: US$88,000) have not been paid.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: Nil).

REVIEW OF OPERATIONS

The Group continued to operate its coal and other trading business during the Period. 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 trading customers, the ultimate consumer of the supplies is generally unknown to the Group.

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 at 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.

During the Period, the revenue generated from the coal and other trading business was approximately US$73.74 million, representing the increase of 63.36% or US$28.60 million, as compared to the revenue of approximately US$45.14 million in the corresponding period of last year. The Group sold thermal coal originated from Indonesia, Russia and Australia to Mainland China, with a total volume of approximately 0.92 million metric tonnes ("MT") as compared to approximately 0.94 million MT in the corresponding period of last year. The increase in revenue was mainly in line with the increase in market coal price during the Period.

The gross profit of the Group amounted to approximately US$0.31 million for the Period (for the six-month period ended 30 September 2020: US$0.30 million). The lower gross profit margin percentage for the Period as compared to the corresponding period of last year was mainly a result of the Group's adoption of safer trading strategy, which was to select more lower gross profit margin coal transactions with less credit risk.

The selling and administrative expenses primarily consisted of employee benefits costs as well as rental and corporate expenses which amounted to approximately US$0.93 million for the Period, which increased by US$0.35 million as compared to US$0.58 million in the corresponding period of last year. The finance costs arose from the bills discounted which amounted to approximately US$0.16 million for the Period, which increased by US$0.02 million as compared to US$0.14 million in the corresponding period of last year. The increase in selling and administrative expenses for the Period were mainly attributable to the increase in salaries cost as the government's subsidies were received in the corresponding period of last year. A provision for impairment loss on right-of-use assets of US$0.55 million was recorded during the Period.

The Group recorded an increase in net losses attributable to the shareholders for the Period by about 218.71% as compared to that for the corresponding period in 2020 mainly due to the decrease in gross profit, the increase in selling and administrative expenses and an one-off provision for impairment loss on right-of-use assets.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2021, cash on hand and at banks together with pledged bank deposit for the Group amounted to approximately US$10.21 million as compared to US$10.07 million as at 31 March 2021. No material fluctuations was noted.

As at 30 September 2021, the Group had no discounted bills with recourse as compared to US$31.12 million as at 31 March 2021. The discounting of bills receivable was a short term trade facility and the underlying bills receivable had maturity periods of 180 days after the receipt of required documents by nominated banks, or less and were covered by corresponding letters of credit.

As at 30 September 2021, the debt to equity ratio, being total debt to total equity was approximately 10.79% (31 March 2021: approximately 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 trading business, irrevocable letters of credit, up to a tenor of 180 days after the receipts 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 we believe that the Group has adequate liquidity to meet its current and future working capital requirements.

RISK OF CURRENCY FLUCTUATIONS

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

PROSPECT

During the Period, the increase in the Group's revenue was mainly attributable to the increase in the market coal price. However, the outbreak of the Covid-19 and the global trade disputes still adversely affect the Group's business. Any further deterioration in the global economy will also increase uncertainties for the Group and adversely affect the Group's short term performance, despite its efforts to manage such risks. The Group will review its current business strategies and assets structure continuously to minimize various risks and cope with uncertainties arising from the Covid-19 interruptions and the global challenging environment. The Group will implement strict cost control and strengthen its competitiveness by enhancing existing segments.

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 six months ended 30 September 2021.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2021, the Group had a total of 8 full time (31 March 2021: 9) employees in Hong Kong. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual's and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include share option scheme, provident fund schemes, discretionary bonuses on performance basis and medical insurance.

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 six months ended 30 September 2021 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 six months ended 30 September 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.

b) During the six months ended 30 September 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.

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 (the "AGM") had not held during the six months ended 30 September 2021 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, all Directors, including non-executive Directors and the chairman of the Board and the Board committees, and the auditor of the Company did not attend the AGM.

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 its 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 six months ended 30 September 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management 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 Interim Financial Statements with no disagreement by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published at the websites of the Company at www.aresasialtd.com and www.irasia.com/listco/hk/aresasia and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 September 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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, 14 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.