



# ARES ASIA

安 域 亞 洲

Ares Asia Limited

安域亞洲有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 645

INTERIM REPORT

**2021/2022**



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## Corporate Information

### Ares Asia Limited

(Incorporated in Bermuda with limited liability)

### DIRECTORS

#### Executive Directors

Mr. LAI Yi-Chun (also known as Robert LAI)  
(Chairman and Chief Executive Officer)  
(appointed as chairman and chief executive officer on 8 July 2022)

Mr. LUO Xiao (appointed on 8 July 2022)

#### Non-Executive Director

Ms. RUAYRUNGRUANG Woraphanit  
(re-designated from executive Director to non-executive Director and resigned as chairman and chief executive officer on 8 July 2022)

#### Independent Non-Executive Directors

Mr. CHANG Jesse

Mr. YEUNG Kin Bond, Sydney

Mr. LIU Ji (appointed on 13 January 2022)

Mr. NGAN Hing Hon  
(resigned on 24 January 2022)

### AUDIT COMMITTEE

Mr. LIU Ji (Chairman) (appointed as member on 13 January 2022 and as chairman on 24 January 2022)

Mr. CHANG Jesse

Mr. YEUNG Kin Bond, Sydney

Mr. NGAN Hing Hon (resigned and ceased to be chairman and a member on 24 January 2022)

### REMUNERATION COMMITTEE

Mr. CHANG Jesse (Chairman)

Mr. YEUNG Kin Bond, Sydney

Mr. LIU Ji (appointed on 13 January 2022)

Mr. NGAN Hing Hon  
(resigned on 24 January 2022)

### NOMINATION COMMITTEE

Mr. YEUNG Kin Bond, Sydney (Chairman)

Mr. CHANG Jesse

Mr. LIU Ji (appointed on 13 January 2022)

Mr. NGAN Hing Hon  
(resigned on 24 January 2022)

### COMPANY SECRETARY

Ms. FUNG Mei Ling (appointed on 1 March 2022)

Ms. LEUNG Pui Ki (resigned on 1 March 2022)

### AUTHORISED REPRESENTATIVES

Mr. LAI Yi-Chun (also known as Robert LAI)  
(appointed on 8 July 2022)

Ms. RUAYRUNGRUANG Woraphanit  
(resigned on 8 July 2022)

Ms. FUNG Mei Ling (appointed on 1 March 2022)

Ms. LEUNG Pui Ki (resigned on 1 March 2022)

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 9608, Level 96  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

## Corporate Information

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### AUDITOR

Moore Stephens CPA Limited  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*

### LEGAL ADVISERS

*As to Hong Kong Law*  
Loeb & Loeb LLP

*As to Bermuda Law*

Conyers Corporate Services (Bermuda) Limited

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited

### COMPANY WEBSITES

[www.aresasiatd.com](http://www.aresasiatd.com)  
[www.irasia.com/listco/hk/aresasia](http://www.irasia.com/listco/hk/aresasia)

### STOCK CODE

645

# Condensed Consolidated Statement of Comprehensive Income

The board (the “**Board**”) of directors (the “**Directors**”) of Ares Asia Limited (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 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
<b>Revenue</b>	3	<b>73,740</b>	45,137
Cost of sales		<b>(73,428)</b>	(44,836)
<b>Gross profit</b>		<b>312</b>	301
Other income	4	<b>2</b>	–
Selling expenses		<b>(57)</b>	(78)
Impairment loss on right-of-use assets		<b>(545)</b>	–
Administrative expenses		<b>(877)</b>	(501)
<b>Loss from operations</b>		<b>(1,165)</b>	(278)
Finance costs		<b>(164)</b>	(139)
<b>Loss before taxation</b>	5	<b>(1,329)</b>	(417)
Income tax	6	<b>–</b>	–
<b>Loss and total comprehensive loss for the period</b>		<b>(1,329)</b>	(417)
<b>Loss per share</b>			
Basic and diluted	8	<b>(0.26) cent</b>	(0.08) cent

The notes on pages 8 to 20 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

At 30 September 2021

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

The notes on pages 8 to 20 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

**For the six months ended 30 September 2021**

	Unaudited				Total US\$'000
	Share capital US\$'000	Share premium account US\$'000	Contributed surplus US\$'000	Accumulated losses 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)
<b>Balance at 30 September 2021</b>	<b>662</b>	<b>6,777</b>	<b>15,088</b>	<b>(12,676)</b>	<b>9,851</b>
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

The notes on pages 8 to 20 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

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

*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 on note 9(c).

The notes on pages 8 to 20 form part of this interim financial report.

# 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 of 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.

# Notes to the Condensed Consolidated Financial Statements

## 2 Basis of preparation and changes in accounting policies

(Continued)

### (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:

Amendment 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 anticipate 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 commodities 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 trading". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

# Notes to the Condensed Consolidated Financial Statements

## 3 Revenue and segment reporting *(Continued)*

### (b) Segment reporting *(Continued)*

#### **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 Six months ended 30 September 2021 US\$'000	2020 US\$'000	Unaudited At 30 September 2021 US\$'000	Audited At 31 March 2021 US\$'000
Mainland China	73,740	45,137	-	-
Hong Kong	-	-	-	57
Singapore	-	-	2	1
	<b>73,740</b>	45,137	<b>2</b>	58

## 4 Other income

	Unaudited Six months ended 30 September 2021 US\$'000	2020 US\$'000
Net foreign exchange gain	2	-
	<b>2</b>	-

# Notes to the Condensed Consolidated Financial Statements

## 5 Loss before taxation

Loss before taxation is arrived at after charging:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
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.

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables

	<b>Unaudited At 30 September 2021 US\$'000</b>	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
<b>Other receivables and deposits</b>		
– Due from an Indonesian coal supplier (the “Supplier”)	(c) <b>162</b>	1,661
– Due from others	<b>187</b>	1,447
	<b>349</b>	3,108
<b>Prepayments</b>		
Prepayments for supply contracts		
– Prepayment A	(b) <b>11,064</b>	11,064
– The Supplier	(c) –	2,500
Other prepayments	<b>351</b>	5
	<b>11,415</b>	13,569
Less: Impairment of Prepayment A	(b) <b>(11,064)</b>	(11,064)
	<b>351</b>	2,505
<b>Total trade and other receivables</b>	<b>700</b>	37,470

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables *(Continued)*

- (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.

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables *(Continued)*

### (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.

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables *(Continued)*

### (c) Prepayment and other receivables arising from the Supplier *(Continued)* ***During the year ended 31 March 2021 (Continued)***

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, of which the 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.

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables *(Continued)*

### (c) Prepayment and other receivables arising from the Supplier *(Continued)* *During the six months ended 30 September 2021 (Continued)*

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);

# Notes to the Condensed Consolidated Financial Statements

## 9 Trade and other receivables *(Continued)*

### (c) Prepayment and other receivables arising from the Supplier *(Continued)* *During the six months ended 30 September 2021 (Continued)*

- 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:

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

# Notes to the Condensed Consolidated Financial Statements

## 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:

	<b>Unaudited For the six months ended 30 September 2021 US\$'000</b>	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.

# Notes to the Condensed Consolidated Financial Statements

## 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.

# Notes to the Condensed Consolidated Financial Statements

## 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:

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

### (b) Transaction with a fellow subsidiary

	<b>Unaudited Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Repayment of lease liabilities and interest on lease liabilities	<b>106</b>	135
Building management fee and utility charges	<b>15</b>	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

## REVIEW OF OPERATIONS

The Group continued to operate its coal and other trading business during the six-month period ended 30 September 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 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 six-month period ended 30 September 2021, 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 six-month period ended 30 September 2021.

The gross profit of the Group amounted to approximately US\$0.31 million for the six-month period ended 30 September 2021 (for the six-month period ended 30 September 2020: US\$0.30 million). The lower gross profit margin percentage for the current 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 current 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 current 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 current 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.

## Management Discussion and Analysis

The Group recorded an increase in net losses attributable to the shareholders for the six-month period ended 30 September 2021 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.

### PROSPECT

During the six-month period ended 30 September 2021, the increase in the Group's revenue was mainly attributable to the increase in 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.

### 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%).

## Management Discussion and Analysis

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.

## Corporate Governance and Other Information

### 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).

### SHARE OPTION SCHEME

The Company's existing share option scheme (the "**Share Option Scheme**") was adopted on 21 September 2012 (the "**Date of Adoption**"). The Share Option Scheme will remain in force for a period of 10 years commencing from the Date of Adoption (that is from 21 September 2012 to 20 September 2022). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants (including any executive directors, non-executive directors and independent non-executive directors, employees of the Group and any other persons who the Board considers, in its sole discretion, to have contributed to the Group) to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. The purpose of the Share Option Scheme is to provide eligible participants with an opportunity to acquire proprietary interests in the Company, which the Directors believe would help the Company to attract and retain high caliber personnel who have made contributions to the success of the Company, and would also help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The number of share options which may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "**Option Scheme Limit**"). The maximum number of unexercised share options under the Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company at any time. The maximum number of options issued to each participant under the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of the limit is subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting. Any grant of options to a connected person (as defined in the Listing Rules) must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee). Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK\$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

## Corporate Governance and Other Information

Based on 340,616,934 shares of the Company (the “Shares”) in issue as at the Date of Adoption, the maximum number of Shares which may be issued upon the exercise of all the options granted or to be granted under the Share Option Scheme or any other share option schemes of the Company must not, in aggregate, exceed 34,061,693 Shares, being 10% of the Shares in issue as at the Date of Adoption. The Option Scheme Limit has not been previously refreshed since the Date of Adoption. The total number of Shares available for issue under the Share Option Scheme is 32,561,693 Shares, representing 6.35% of the total number of Shares in issue as at the date of this interim report.

The exercise price must be at least the higher of: (a) the closing price of the Company’s shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the Company’s shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately preceding the date of grant; and (c) the nominal value of the Company’s shares.

A nominal consideration of HK\$1 is payable by the grantee upon acceptance of an option. The acceptance of an offer of the grant of the option must be made within 15 days from the date of grant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee of the option, which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant of the option. The Directors may at their sole discretion determine the minimum period for which the option has to be held or other restrictions before the exercise of the option.

There was no outstanding share option under the Share Option Scheme as at 1 April 2021 and 30 September 2021 respectively.

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2021.

## Corporate Governance and Other Information

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed under "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" below, at no time during the six months ended 30 September 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 30 September 2021, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2021, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

# Corporate Governance and Other Information

## Long position in the Shares

Name of shareholder	Nature of interest	Number of the Shares held	Percentage of issued share capital
Reignwood International Holdings Company Limited (“ <b>Reignwood International</b> ”) (Note)	Beneficial Owner	337,465,038	65.76%
Dr. Chanchai RUAYRUNGRUANG (Note)	Interest in controlled corporation	337,465,038	65.76%

Note: Reignwood International is wholly-owned by Dr. Chanchai RUAYRUNGRUANG who is the father of Ms. RUAYRUNGRUANG Woraphanit, a non-executive Director.

Save as disclosed above, as at 30 September 2021, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## 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 and Other Information

## 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.

## Corporate Governance and Other Information

- 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 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 been 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 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.

## Corporate Governance and Other Information

### **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.

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

Hong Kong, 14 September 2022