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## **ARES ASIA LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **DISPOSAL OF ENTIRE INTEREST IN THE CHINA COMPASS GROUP AND APPOINTMENT OF NEW CHAIRMAN**

##### **THE DISPOSAL**

On 26 February 2014 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Shareholder's Loan at the Consideration of US\$3.2 million (equivalent to approximately HK\$24.896 million).

##### **LISTING RULES IMPLICATIONS**

As certain percentage ratios (calculated according to the Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Mr. Lee, being a director of Brave Win, a wholly-owned subsidiary of the Company, is a connected person of the Company for the purpose of the Listing Rules. The Purchaser, being wholly owned by and therefore an associate of Mr. Lee, is also a connected person of the Company. Accordingly, the Disposal constitutes a discloseable and connected transaction on the part of the Company under Chapter 14 and 14A of the Listing Rules. The Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, apart from 14,940,038 Shares (representing 4.39% of all the Shares in issue) being held by an associate of Mr. Lee, no other Shareholder has a material interest in, and would be required to abstain from voting on the resolution. Under the Listing Rules, Mr. Lee's associate is required to abstain from voting on the resolution to approve the Disposal at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable and whether the Disposal is in the interest of the Company and the Shareholders as a whole, after taking into account the recommendations of the Independent Financial Advisor. The Company has appointed the Independent Financial Advisor to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the Disposal is fair and reasonable and whether the Disposal is in the interest of the Company and the Shareholders as a whole.

A circular containing, among other things (i) further details of the Sale and Purchase Agreement and transactions contemplated therein; (ii) recommendations from the Independent Board Committee of the Company; (iii) the advice from the Independent Financial Advisor to the Independent Board Committee of the Company and the Independent Shareholders; (iv) the notice of the SGM; together with (v) other information required under the Listing Rules will be despatched to the Shareholders on or before 19 March 2014.

#### **APPOINTMENT OF NEW CHAIRMAN**

The Board announces the appointment of Mr. Chua, currently an executive Director and a former Chairman of the Company for the period from 16 February 2011 to 4 July 2012, as the new Chairman effective 26 February 2014 after the passing away of the late Chairman, Mr. Adwin Haryanto Suryohadiprojo.

#### **THE DISPOSAL**

On 26 February 2014, the Company entered into the Sale and Purchase Agreement under which it agreed to sell the Brave Win Sale Share and the entire issued share capital of China Compass, which owns the remaining issued shares of Brave Win and the Shareholder's Loan to the Purchaser.

#### **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out below.

**Date:** 26 February 2014 (after trading hours)

**Parties:** Vendor: the Company

Purchaser: the Purchaser (an investment holding company wholly-owned by Mr. Lee)

As Mr. Lee is a director of Brave Win, a wholly-owned subsidiary of the Company, he is a connected person of the Company for the purpose of the Listing Rules. The Purchaser, being wholly owned by and therefore an associate of Mr. Lee, is also a connected person of the Company.

### **Subject of the Disposal**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Shares and the Shareholder's Loan which represent the Group's entire interest in the China Compass Group.

### **Consideration**

The aggregate Consideration for the Sale Shares and all the Shareholder's Loan is US\$3.2 million (equivalent to approximately HK\$24.896 million). The Consideration is to be paid as follows:

- (a) the deposit (the "Deposit") in the sum of US\$0.5 million (equivalent to approximately HK\$3.89 million) shall be paid to an escrow agent immediately upon the signing of the Sale and Purchase Agreement, to be released to the Company at Completion; and
- (b) the remaining balance of US\$2.7 million (equivalent to approximately HK\$21.006 million) is payable at Completion.

The Deposit is to be refunded to the Purchaser if the condition precedent to Completion is not fulfilled on or before the Long Stop Date; or if it is terminated by the Purchaser as referred to the section headed "Condition Precedent and Termination" below.

The Consideration for the transaction has been determined after arm's length negotiations between the Purchaser and the Company, after taking into account the following factors:

- (a) the sole material asset of the China Compass Group is Brave Win's DL Use Rights (further information relating to which is set out under the section headed "The Dongguan Land and Related Arrangements" below) under the Dongguan Agreements following the cessation of its footwear business in January 2013, although Brave Win does not have legal ownership of the Dongguan Land;
- (b) the encumbered nature of Brave Win's DL Use Rights (described under the section headed "The Dongguan Land and Related Arrangements" below), which, the Directors believe, can restrict the ability of Brave Win to freely dispose of its DL Use Rights or sub-let the Dongguan Land and render it unlikely for Brave Win to receive significant interest from any third party; and
- (c) the fact that the Dongguan Land has not been used by the Group for income-generating activities since 31 January 2013 and the Directors currently foreseeing no use for the Group's own operations or (for reasons stated in (b) above) for any other income generating activities for the Group.

The Board has taken note of the Early Termination Offer referred to in the October 2013 Announcement. Under PRC laws which govern the Early Termination Offer, the Early Termination Offer was not valid. Further, based on enquiries made by the Company, the Board also understands that there may be practical difficulties for the implementation of the Early Termination Offer, which involves the payment of consideration by a collectively-owned enterprise in the PRC. As the termination of the Dongguan Agreements would extinguish the basis for the Land Application by Dongguan Hung Yip (described under the section headed “The Dongguan Land and Related Arrangements” below), agreement to such termination can expose Brave Win and the Company to claims by Dongguan Hung Yip and Peak Rise for compensation for breach of the Dongguan Land Arrangements. Under Hong Kong law (which governs the Peak Rise Agreement), where there is a breach of contract, damages are generally awarded with a view to putting the plaintiff in the same position had the breach not occurred. It is a term of the Sale and Purchase Agreement that the Purchaser delivers a deed of consent and waiver from Peak Rise and Dongguan Hung Yip that releases the Company (for itself and on behalf of its subsidiaries) from all obligations and liabilities under the Peak Rise Agreement and Dongguan Land Arrangements.

In view of the above, the Board considers that it is in the interest of the Group to proceed with the Sale and Purchase Agreement instead of continuing to pursue the Early Termination Offer, to enable the Group to realise value in Brave Win’s encumbered DL Use Rights without the potential litigation risks.

### **Condition Precedent and Termination**

Completion of the Disposal is conditional upon the passing of the necessary resolution by the Independent Shareholders to approve the Disposal. If the necessary resolution is not passed on or before the Long Stop Date, the Sale and Purchase Agreement will terminate and neither party will be liable to the other except for antecedent breaches and that any Deposit paid will need to be refunded to the Purchaser.

Under the Sale and Purchase Agreement, the Purchaser has the right to terminate it by notice in writing by the Purchaser if at any time before Completion any PRC authority with competent jurisdiction issues any official announcements, notices or directives which has the effect of terminating the Dongguan Agreements.

### **Completion**

Completion shall take place on the second Business Day after the condition precedent to Completion (as described above) has been fulfilled, or such later date and time as the Company and the Purchaser may agree.

## **THE DONGGUAN LAND AND RELATED ARRANGEMENTS**

### **(i) Information on the Dongguan Land**

The Dongguan Land consists of three parcels of land of total site area of approximately 24,490 square metres located in the Second Industrial Zone, Xiaobian Community, Changan Town, Dongguan City, Guangdong Province, the PRC and an industrial complex comprising eleven blocks of one to seven storeyed buildings (previously used as factory, dormitories and offices, but now dilapidated) with a total gross floor area of approximately 28,057.08 square metres constructed pursuant to the terms of the Dongguan Agreements. Brave Win operated its footwear manufacturing business from production facilities located on the Dongguan Land before the cessation of that business in January 2013.

### **(ii) The DL Use Rights and Dongguan Land Arrangements**

Under the Dongguan Agreements, Brave Win was granted the DL Use Rights, being the right to use two parcels of land of site area of approximately 21,820 square metres (and buildings constructed on it) until 4 August 2040 and the remaining parcel of land until 1 December 2046. The DL Use Rights will lapse thereafter unless otherwise agreed with Xiaobian Community Committee. Brave Win is entitled under the Dongguan Agreements to transfer its DL Use Rights or sub-let the Dongguan Land, but any transfer of its rights and corresponding obligations under the Dongguan Agreements is subject to the consent of the Xiaobian Community Committee.

Brave Win transferred to Dongguan Hung Yip the right to apply for legal ownership of the Dongguan Land pursuant to a policy issued by the Dongguan authorities in April 2009 to regularise property ownership by the user of properties in Dongguan, as Brave Win was not incorporated in the PRC and as such was not eligible to make the relevant applications. Dongguan Hung Yip submitted the Land Application on 11 May 2009, which application remains pending as at the date hereof.

As disclosed in the 2009 Announcement and the 2009 Circular issued in connection with the sale by the Company of KTP (BVI) Company Limited to Peak Rise (as a result of which Peak Rise became the 100% holding company of Dongguan Hung Yip), Peak Rise and the Company acknowledged in the Peak Rise Agreement the transfer of right to apply for the legal ownership of the Dongguan Land, and agreement between the parties that Brave Win will continue to hold the DL Use Rights until Dongguan Hung Yip successfully obtains the legal ownership of the Dongguan Land or the maturity of the Dongguan Agreements (whichever is earlier).

It was further agreed in the Peak Rise Agreement that if Dongguan Hung Yip successfully obtains the legal ownership of the Dongguan Land and Brave Win or the Group wishes to continue to use the Dongguan Land, the terms in relation to the use shall be negotiated by Dongguan Hung Yip and Brave Win or the Group (as the case may be). The Peak Rise Agreement contains an option granted to the Company to purchase or lease the Dongguan Land from Dongguan Hung Yip after Dongguan Hung Yip has obtained the legal ownership of the Dongguan Land, subject to such terms and conditions as negotiated by Peak Rise and the Company, taking into account the book value of the Dongguan Land together with the properties constructed on the Dongguan Land in the accounts of Brave Win.

**(iii) Brave Win's ability to monetise its interests in the Dongguan Land**

The Dongguan Land is not used for any income generating activities of the Group given that the Group's focus is on its coal trading operations.

The Company notes that in light of the terms and conditions of the Dongguan Agreements and the Dongguan Land Arrangements, Brave Win's ability to monetise its interests in the Dongguan Land is limited as follows:

- (a) whilst Brave Win has DL Use Rights, it does not have Legal Ownership of the Dongguan Land (the right of legal ownership application for which has been transferred to Dongguan Hung Yip), therefore Brave Win would not be in a position to sell or transfer legal ownership in the Dongguan Land;
- (b) although Brave Win cannot transfer its DL Use Rights together with the corresponding obligations under the Dongguan Agreements without the consent of Xiaobian Community Committee, it may nevertheless transfer its DL Use Rights or sub-let the Dongguan Land to third parties if it remains bound by all the obligations under the Dongguan Agreements; and
- (c) any disposal of Brave Win's DL Use Rights or subletting of the Dongguan Land without the consent of Dongguan Hung Yip may expose the Group to the risks of claims for compensation if that compromises the Land Application.

Whenever Brave Win transfers its DL Use Rights or sub-lets the Dongguan Land to a third party, the ability and the period of such third parties to use the Dongguan Land would have to be subject to the Dongguan Land Arrangements. In other words, a third party is at risk of being required to vacate the Dongguan Land if Dongguan Hung Yip acquires legal ownership of the Dongguan Land and no agreement can be reached to its continued use of the Dongguan Land.

Further, any leasing contracts for the buildings comprised in the Dongguan Land may not be enforceable due to the lack of the construction engineering planning certificate for the buildings comprised in the Dongguan Land. Not only is there uncertainty as to whether or not such certificate will be issued by the relevant authorities after the buildings have been constructed, the Company understands that in view of the Land Application, the appropriate applicant for any such certificate should be Dongguan Hung Yip (instead of Brave Win).

All of the above create uncertainties as to Brave Win's ability to transfer its DL Use Rights or sub-let the Dongguan Land to a third party at any price or at all.

#### (iv) Valuation

Due to the encumbered nature of Brave Win's DL Use Rights and the lack of legal ownership to the Dongguan Land, independent professional valuers appointed by the Company have ascribed no commercial value to the DL Use Rights and the Dongguan Land.

#### INFORMATION ON THE CHINA COMPASS GROUP

The China Compass Group comprises two companies, being China Compass and Brave Win, both of which are wholly-owned by the Company. Prior to 1 November 2013, the China Compass Group included also a wholly-owned investment holding subsidiary of the Company, TP Industrial. China Compass is an investment-holding company. Brave Win is a limited company incorporated in Hong Kong which is currently inactive apart from its rights and obligations under the Dongguan Agreements. It was previously engaged in the footwear manufacturing business with its production facilities located on the Dongguan Land.

In January 2013, Brave Win ceased its manufacturing operations and disposed of its machinery, equipment and inventory. The China Compass Group has remained inactive since then.

The unaudited consolidated financial information of the China Compass Group for the years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013 are set out as follows:

	<b>For the six months ended/ as at 30 September 2013 US\$'000</b>	<b>For the year ended/ as at 31 March</b>	
		<b>2013 US\$'000</b>	<b>2012 US\$'000</b>
Revenue	—	13,112	27,967
Net loss before tax	(82)	(3,711)	(60)
Net loss after tax	(82)	(3,711)	(60)
Net (liabilities)/assets	(1,541)	(1,459)	2,204

#### REASONS AND FINANCIAL EFFECT OF THE DISPOSAL

The Group is principally engaged in the coal trading business. Prior to January 2013, the Group was also engaged in the footwear manufacturing business through Brave Win (which is part of the China Compass Group).



The China Compass Group recorded net losses for the two years ended 31 March 2012 and 2013. Due to the decrease in sales and the rising production costs, Brave Win ceased its footwear manufacturing business and the China Compass Group has remained inactive since January 2013. Accordingly, the Dongguan Land has not been used for Brave Win's footwear manufacturing business and has not been generating any income for the Group since the discontinuance of business.

The Company currently foresees no possible use of the Dongguan Land since the direction of the Group is to focus on its coal trading business and to seek potential investment opportunities in the energy and resources sector, with an objective of enhancing shareholders' value. For reasons already stated in "The Dongguan Land and Related Arrangements — Brave Win's ability to monetise its interests in the Dongguan Land", the Group's ability to monetise its rights in respect of the Dongguan Land is also restricted.

Having taken into account these factors, the Board considers the Disposal a good opportunity to realise the Group's remaining interests in the current inactive footwear business and to reallocate its resources for and direct its focus on the core activities of the Group in which the Group has competitive advantage and core competencies, with the aim of improving the financial performance of the Group as a whole.

Upon Completion, the Company will not hold any interest in any of the members of the China Compass Group, all members of which will cease to be subsidiaries of the Company. The financial results of the China Compass Group will not be consolidated into the consolidated financial statements of the Group. It is expected that the Company will record an unaudited gain on disposal (before deducting the related transaction costs) of approximately US\$3.2 million (equivalent to approximately HK\$24.896 million) which is calculated based on the Consideration of approximately US\$3.2 million (equivalent to approximately HK\$24.896 million), the net liabilities of the China Compass Group of approximately US\$1.6 million (equivalent to approximately HK\$12.448 million) as at 31 December 2013 and the Shareholder's Loan of approximately US\$1.6 million (equivalent to approximately HK\$12.448 million) as at Completion. The proceeds from the Disposal are intended to be used for general working capital of the Group, in particular for the Group to focus its resources on its existing coal trading business and explore future investments in energy and resources sector to enhance Shareholders' value.

Based on the factors mentioned above, the Board (excluding the independent non-executive Directors whose views are to be included in the shareholders' circular to be issued by the Company as mentioned in this announcement) is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms and that the Disposal is in the interest of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Disposal. Accordingly, none of them were required to abstain from voting on the board resolutions for considering and approving the Disposal.



## **LISTING RULES IMPLICATION**

As Mr. Lee is a director of Brave Win, a wholly-owned subsidiary of the Company, he is a connected person of the Company for the purpose of the Listing Rules. The Purchaser, being wholly owned by and therefore an associate of Mr. Lee, is also a connected person of the Company. Further, as certain applicable percentage ratios (calculated according to the Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable and connected transaction on the part of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, apart from 14,940,038 Shares (representing 4.39% of all the Shares in issue) being held by an associate of Mr. Lee, no other Shareholder has a material interest in, and would be required to abstain from voting on the resolution. Under the Listing Rules, Mr. Lee's associate is required to abstain from voting on the resolution to approve the Disposal at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable and whether the Disposal is in the interest of the Company and the Shareholders as a whole, after taking into account the recommendations of the Independent Financial Advisor. The Company has appointed the Independent Financial Advisor to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the Disposal is fair and reasonable and whether the Disposal is in the interest of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and transactions contemplated therein; (ii) recommendations from the Independent Board Committee of the Company; (iii) the advice from the Independent Financial Advisor to the Independent Board Committee of the Company and the Independent Shareholders; (iv) the notice of the SGM together with (v) other information required under the Listing Rules will be sent to the Shareholders on or before 19 March 2014.

## **APPOINTMENT OF NEW CHAIRMAN**

The Board announces the appointment of Mr. Chua Chun Kay ("Mr. Chua"), currently an executive Director and a former Chairman of the Company for the period from 16 February 2011 to 4 July 2012, as the new Chairman effective 26 February 2014 after the passing away of the late Chairman, Mr. Adwin Haryanto Suryohadiprojo.

Mr. Chua, aged 60, is a businessman in Singapore who owns businesses that engage in trading various kinds of commodities, including but not limited to pulp and paper, waste-paper, chemicals and spare-parts. Mr. Chua is a fellow member of the Chartered Management Institute and holds a master's degree in business administration from the University of Leicester, United Kingdom. He joined the Company on 27 January 2011.

As at the date of this announcement, Mr. Chua is interested in 182,458,061 Shares within the meaning of Part XV of the Securities and Future Ordinance. Save as disclosed above, Mr. Chua (i) did not hold any directorship in other listed public companies in the last three years and (ii) does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Save as disclosed herein, there is no other information to be disclosed pursuant to the requirement of Rule 13.51(2) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, capitalised terms used shall have following meanings:

“2009 Announcement”	the Company’s announcement dated 24 July 2009
“2009 Circular”	the Company’s circular dated 13 August 2009
“Altus Capital”	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Brave Win”	Brave Win Industries Limited, a limited company incorporated in Hong Kong
“Brave Win Sale Share”	1 share of Brave Win, representing 0.0000033% of the total issued share capital of Brave Win as at Completion
“Business Day”	a day (other than a Saturday, Sunday, a public holiday or a day on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are generally open for general banking business in Hong Kong
“China Compass”	China Compass Investments Limited, a limited company incorporated in the British Virgin Islands
“China Compass Group”	China Compass and Brave Win

“China Compass Sale Shares”	1,000 shares of China Compass, representing the entire issued share capital of China Compass as at Completion
“Company”	Ares Asia Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 0645)
“Completion”	completion of the Sale and Purchase Agreement
“Consideration”	the total consideration of US\$3.2 million (equivalent to approximately HK\$24.896 million) payable by the Purchaser for the Sale Shares and the Shareholder’s Loan
“Director(s)”	director(s) of the Company from time to time
“Disposal”	proposed disposal of the Sale Shares and the Shareholder’s Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“DL Use Rights”	the rights to occupy and use the Dongguan Land under the Dongguan Agreements
“Dongguan Agreements”	the three agreements titled “投資建廠合同書”, “投資建廠補充協議” and “土地使用權有償轉讓合同書” dated 14 August 1990, 4 April 1994 and 21 November 1996 respectively, under which Brave Win holds the legal rights to use the Dongguan Land together with the constructions thereon
“Dongguan Hung Yip”	Dongguan Hung Yip Shoes Manufacturing Co. Ltd (東莞宏業製鞋有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Peak Rise
“Dongguan Land”	three parcels of land situate at the Xiaobian district, Changan, Dongguan, PRC, specifically 中華人民共和國東莞市長安鎮霄邊社區第二工業區, together with the constructions thereon
“Dongguan Land Arrangements”	the arrangements with respect to the Dongguan Land as authorised by the board resolution of Brave Win dated 30 June 2009, whereby Brave Win transferred to Dongguan Hung Yip the right to apply to the PRC authority to perfect the legal ownership of the Dongguan Land, and such ancillary arrangements being duly acknowledged and agreed between Peak Rise and the Company in the Peak Rise Agreement

“Early Termination Offer”	the offer from the Xiaobian Community Committee in respect of the early termination of the Dongguan Agreements between the landlord (as represented by the Xiaobian Community Committee) and Brave Win for the use of the Dongguan Land, the subject of which was disclosed in the October 2013 Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lam Pun Yuen Frank, Mr. Ngan Hing Hon and Mr. Yeung Kin Bond Sydney
“Independent Financial Advisor”	Altus Capital, an independent financial advisor appointed by the Board and approved by the Independent Board Committee
“Independent Shareholders”	the Shareholders other than those Shareholders who have a material interest (as defined in the Listing rules) in the Disposal
“Land Application”	the application submitted by Dongguan Hung Yip on 11 May 2009 to the PRC authority to obtain the legal ownership of the Dongguan Land
“Legal Ownership of the Dongguan Land”	the PRC statutorily recognised land use rights and building ownership rights in the parcels of land and buildings that comprise the Dongguan Land which are evidenced by State-owned Land Use Rights Certificates and Building Ownership Rights Certificates
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Long Stop Date”	30 June 2014, or such other date as the Parties hereto may agree in writing
“Mr. Lee”	Mr. Lee Chi Keung, Russell, the sole shareholder of the Purchaser and Peak Rise
“October 2013 Announcement”	the announcement of the Company dated 23 October 2013
“Peak Rise”	Peak Rise Holdings Limited, a limited company incorporated in the British Virgin Islands and wholly owned by Mr. Lee

“Peak Rise Agreement”	the sale and purchase agreement entered into between Peak Rise and KTP Holdings Limited (as the Company was then called) dated 22 July 2009 relating to the entire issued share capital of and benefits of shareholder’s loan to KTP (BVI) Company Limited
“PRC”	the People’s Republic of China
“Purchaser”	Landway Investments Limited, a limited company incorporated in the British Virgin Islands and wholly owned by Mr. Lee
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 February 2014 entered into between the Company and the Purchaser in relation to the sale and purchase of the Sale Shares and the Shareholder’s Loan
“Sale Shares”	being the Brave Win Sale Share and the China Compass Sale Shares
“SGM”	the special general meeting to be convened to consider and, if thought fit, approve, among other things, the Disposal and the transactions contemplated under the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the unsecured and interest free shareholder’s loan in the principal amount of US\$1,578,767 (equivalent to approximately HK\$12.283 million) as at Completion owing by China Compass to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TP Industrial”	TP Industrial Limited, a limited company incorporated in the British Virgin Islands, which was a wholly-owned subsidiary of China Compass
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

“Xiaobian Community Committee” the Dongguan Changan Xiaobian Community Committee (東莞市長安鎮霄邊社區居民委員會), or in the context of the Dongguan Agreements, 東莞市長安霄邊管理區 and 東莞市長安霄邊工業發展有限公司 which were parties to those agreements and, which the Company believes, are associates of the Dongguan Changan Xiaobian Community Committee

“%” per cent.

*(The exchange rate used for the purpose of this announcement is at US\$1 = HK\$7.78)*

By Order of the Board  
**ARES ASIA LIMITED**  
**Junaidi YAP**  
*Executive Director*

Hong Kong, 26 February 2014

*As at the date of this announcement, the executive directors of the Company are Mr. CHUA Chun Kay (Chairman) and Mr. Junaidi YAP (Chief Executive Officer), and the independent non-executive directors of the Company are Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney.*