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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

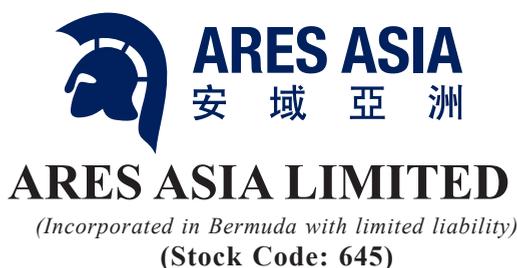
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Ares Asia Limited (the “**Company**”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**DISCLOSEABLE AND CONNECTED TRANSACTION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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A notice convening the special general meeting of the Company to be held at Unit 1602, 16/F, LHT Tower, 31 Queen’s Road Central, Central, Hong Kong on Thursday, 10 April 2014 at 3:00 p.m. is set out on pages 48 to 49 of this circular.

A form of proxy for the special general meeting is enclosed herewith. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the special general meeting should you so wish.

25 March 2014

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“2009 Announcement”	the Company’s announcement dated 24 July 2009
“2009 Circular”	the Company’s circular dated 13 August 2009
“Altus Capital”	Altus Capital Limited, 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 hoisted 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
“Bye Laws”	the bye-laws of the Company
“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)

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## DEFINITIONS

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“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”	“投資建廠合同書” entered into between Guangdong Dongguan Changan Xiaobian Management Area*(廣東省東莞市長安霄邊管理區) and Brave Win dated 14 August 1990, “投資建廠補充協議” entered into between Guangdong Dongguan Changan Xiaobian Management Area*(廣東省東莞市長安霄邊管理區) and Brave Win dated 4 April 1994 and “土地使用權有償轉讓合同書” entered into between Dongguan Changan Xiaobian Industrial Development Company* (東莞市長安霄邊工業發展公司) and Brave Win dated 21 November 1996, 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

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## DEFINITIONS

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“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
“Latest Practicable Date”	21 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein

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## DEFINITIONS

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“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”	means 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
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Thursday, 10 April 2014 at 3:00 p.m. at Unit 1602, 16/F, LHT Tower, 31 Queen’s Road Central, Central, Hong Kong for the purpose of approving the Disposal

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## DEFINITIONS

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“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
“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公司 which were parties to those agreements and, which the Company believes, are associates of the Dongguan Changan Xiaobian Community Committee
“%”	per cent.

\* English names of the PRC entities are included for identification purposes only.

*This circular contains conversion between US dollars and Hong Kong dollars at US\$1 to HK\$7.78 for illustration purpose only.*

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## LETTER FROM THE BOARD

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### ARES ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

*Executive Directors:*

CHUA Chun Kay (*Chairman*)

Junaidi YAP (*Chief Executive Officer*)

*Independent Non-Executive Directors:*

LAM Pun Yuen, Frank

NGAN Hing Hon

YEUNG Kin Bond, Sydney

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

Unit 1602, 16/F

LHT Tower

31 Queen's Road Central

Central

Hong Kong

25 March 2014

To the Shareholders

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF ENTIRE INTEREST IN THE CHINA COMPASS GROUP**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 26 February 2014 which stated that 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, a company wholly-owned by Mr. Lee.

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## LETTER FROM THE BOARD

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### 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 the Shareholder's Loan is US\$3.2 million (equivalent to approximately HK\$24.896 million). The Consideration is to be paid as follows:

- (i) the deposit (the "Deposit") in the sum of US\$0.5 million (equivalent to approximately HK\$3.89 million) was paid to an escrow agent immediately upon the signing of the Sale and Purchase Agreement, to be released to the Company at Completion; and
- (ii) 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.

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## LETTER FROM THE BOARD

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The Consideration for the Disposal 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.

As disclosed under "Information on the China Compass Group" below, the China Compass Group recorded unaudited net liabilities of US\$1.54 million (equivalent to approximately HK\$11.98 million) as at 30 September 2013, which includes the Shareholder's Loan as at that date. If excluding the Shareholder's Loan, the China Compass Group had unaudited net assets of approximately US\$0.02 million (equivalent to approximately HK\$0.16 million) as at the same date. Given that the China Compass Group is no longer generating future income that could be used to repay the Shareholder's Loan, the Consideration represents a fair and reasonable premium to the book value of the China Compass Group which enables the Company to effectively recover the carrying value of the Sale Shares and the entire Shareholder's Loan.

The Board has taken note of the Early Termination Offer referred to in the October 2013 Announcement. Based on the PRC legal opinion, under PRC laws which govern the Early Termination Offer, the Early Termination Offer was not valid as it was not made to Brave Win which is the contracting party under the Dongguan Agreements. 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 as the Company understands that, payments by collectives or collectively-owned enterprise in the PRC are generally subject to their tight internal approval controls, and the Company has received no assurance that such payments have been or will be authorised. As the termination

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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 (such as the obligation to make payment by reference to the number of workers operating at the production facilities on the Dongguan Land) 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. The Xiaobian Community Committee has given its consent on Dongguan Hung Yip's registration of Land Application on 19 May 2009.

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## LETTER FROM THE BOARD

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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 whereupon the DL Use Rights will lapse by operation of law or the maturity of the Dongguan Agreements (whichever is earlier). The consideration for that sale has not taken into account any potential capital value of the Dongguan Land as there are uncertainties as to when and whether the legal ownership will be granted and the cost to be borne by Dongguan Hung Yip (including whether or how much land premium may be charged) for securing such grant.

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;

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## LETTER FROM THE BOARD

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- (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 construction engineering planning certificate(s) for the buildings comprised in the Dongguan Land. Not only is there uncertainty as to whether or not such certificate(s) 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(s) 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 lack of legal ownership to the Dongguan Land, an independent professional valuer appointed by the Company has ascribed no commercial value to the Dongguan Land. A copy of the property valuation report is set out on pages 36 to 41 in this circular.

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## LETTER FROM THE BOARD

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### 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 also comprised a wholly-owned investment holding subsidiary of the Company, TP Industrial. TP Industrial was a dormant company prior to de-registration and it ceased to be a member of China Compass Group after it was de-registered in November 2013. 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 ( <i>Note</i> )	(1,541)	(1,459)	2,204

*Note: The net liabilities include the amount of the Shareholder's Loan outstanding as at the date to which the relevant accounts were made up.*

### 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).

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## LETTER FROM THE BOARD

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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 monetize 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 (including liabilities under the Shareholder's Loan) 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.

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## LETTER FROM THE BOARD

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Based on the factors mentioned above, the Board (excluding the independent non-executive Directors whose views are included in the Letter from the Independent Board Committee as set out on pages 17 to 18 of this circular) 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 was 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.

### **SGM**

A notice convening the SGM is set out on pages 48 to 49 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the SGM will be taken by poll and the Company will announce the results of the poll in the manner set out in the Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person if you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 19 to 35 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors) are of the view that the Sales and Purchase Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole and so recommend Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
On behalf of the Board  
**Ares Asia Limited**  
**Junaidi YAP**  
*Executive Director*

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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### ARES ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

Unit 1602, 16/F  
LHT Tower  
31 Queen's Road Central  
Central, Hong Kong

25 March 2014

To the Independent Shareholders

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular dated 25 March 2014 issued by the Company (the “**Circular**”), of which this letter forms a part.

Unless otherwise stated, terms defined in the Circular bear the same meanings when used herein.

We have been appointed as the members of the Independent Board Committee to consider the Disposal and to advise the Independent Shareholders as to whether the Disposal is fair and reasonable insofar as the Independent Shareholders are concerned.

Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal.

We wish to draw your attention to the Letter from the Board (which is set out on pages 6 to 16 of the Circular) and the letter of advice from the Independent Financial Adviser (which is set out on pages 19 to 35 of the Circular).

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice from the Independent Financial Adviser, we consider that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

**The Independent Board Committee**

**Mr. LAM Pun Yuen, Frank**

*Independent*

*non-executive Director*

**Mr. NGAN Hing Hon**

*Independent*

*non-executive Director*

**Mr. YEUNG Kin Bond, Sydney**

*Independent*

*non-executive Director*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, which has been prepared for the purpose of incorporation in this circular.*

### **ALTUS CAPITAL LIMITED**

21 Wing Wo Street  
Central, Hong Kong

25 March 2014

*To the Independent Board Committee and  
the Independent Shareholders*

Ares Asia Limited  
Suite 1602, LHT Tower  
31 Queen's Road Central  
Hong Kong

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **DISPOSAL OF 100% INTEREST IN THE CHINA COMPASS GROUP**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are set out in the “Letter from the Board” contained in the circular of the Company dated 25 March 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

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 entire Sale Shares and the Shareholder's Loan of the China Compass Group at the Consideration of US\$3.2 million (equivalent to approximately HK\$24.896 million).

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect 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.

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 Mr. Lee and therefore his associate, is also a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction on the part of the Company under Chapter 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 approximately 4.39% of all the Shares in issue as at the Latest Practicable Date) 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 to approve the Disposal at the SGM. 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**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. LAM Pun Yuen, Frank, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney, has been established to consider the terms of the Sale and Purchase Agreement, and to give advice and recommendation to the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal as contemplated under the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Sale and Purchase Agreement is in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR ADVICE**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (“**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. Principal activities and financial information of the Group**

##### **(a) *Principal activities***

The Group is principally engaged in the business of coal trading, entailing the selling of thermal coal purchased from Australia and Indonesia to the PRC. The Group commenced coal trading in October 2012. Prior to this, the Group’s major business was the manufacture of footwear but, as disclosed in the Group’s annual report for the year ended 31 March 2013 (the “**2013 Annual Report**”), due to a decrease in sales and rising production costs, the Group ceased its footwear manufacturing business in January 2013.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**(b) Historical financial information**

Set out below is a summary of the audited financial information of the Group for the years ended 31 March 2012 and 2013 and the unaudited financial information for the six months ended 30 September 2013. This information has been extracted from the 2013 Annual Report and the Group’s interim report for the six months ended 30 September 2013 (the “**2013/14 Interim Report**”). In the table below, the “discontinued operation” refers to the Group’s footwear manufacturing business, whilst the “continuing operation” refers to the coal trading business.

		<b>For the six months ended 30 September (Unaudited) 2013 US\$ '000</b>	<b>For the year ended 31 March (Audited) 2013                      2012 US\$ '000                      US\$ '000</b>	
Continuing Operation	Revenue	60,693	44,639	N/A
	Gross Profit	921	838	N/A
	(Loss) for Period/ Year	(6,670)	(547)	(1,485)
Discontinued Operation	Revenue	N/A	13,112	27,967
	Gross (Loss)/ Profit	N/A	(1,356)	1,637
	(Loss) for Period/ Year	(82)	(3,709)	(58)
Total (Loss) for the Period/Year		(6,752)	(4,256)	(1,543)

*Notes:*

- i) The Group discontinued its footwear manufacturing business in January 2013.
- ii) The Group’s coal trading business was commenced in October 2012.

*i. Continuing Operation*

The Group recorded a substantial increase in turnover in its coal trading business for the six months ended 30 September 2013 as compared to the six month period between its commencement in October 2012 and March 2013. The loss of approximately US\$6.75 million (equivalent to approximately HK\$52.52 million) incurred in the six months ended 30 September 2013 was mainly due to a one-off loss of approximately US\$6.01 million (equivalent to approximately HK\$46.76 million) on an exchangeable bond (further details of this bond are described below). Excluding this, the continuing operation would have made a marginal loss of approximately US\$0.66 million (equivalent to approximately HK\$5.13 million).

As referred to in the 2013/14 Interim Report, on 30 May 2012, Able Point Corporation Limited (“**Able Point**”) subscribed to an exchangeable bond with a principal amount of US\$5.00 million (equivalent to HK\$38.9 million) issued by PT Langit Timur Energy (“**LTE**”). A fair value gain of approximately US\$1.01 million (equivalent to approximately HK\$7.86 million) was recognised during the year ended 31 March 2013 resulting in a reported fair value of approximately US\$6.01 million (equivalent to approximately HK\$46.76 million) as at 31 March 2013. The Group was informed that LTE is unable to redeem the exchangeable bond in accordance with the agreed timeframe due to the deteriorating financial and business conditions of LTE. To reflect the uncertainty surrounding the recovery of the Group’s investment, the exchangeable bond was stated at nil as at 30 September 2013 and a fair value loss of US\$6.01 million (equivalent to approximately HK\$46.76 million) was recorded for the six months ended 30 September 2013.

*ii. Discontinued Operation*

As disclosed in the Group’s 2013 Annual Report, the discontinued operation reported revenue of approximately US\$13.11 million (equivalent to approximately HK\$102.00 million) and recorded a net loss of approximately US\$3.71 million (equivalent to approximately HK\$28.86 million) for the year ended 31 March 2013, a substantial fall from the approximately US\$27.97 million (equivalent to approximately HK\$217.61 million) revenue and net loss of approximately US\$0.06 million (equivalent to approximately HK\$0.47 million) recorded for

the year ended 31 March 2012. According to the Management, the net loss was exacerbated by restructuring costs incurred in streamlining its production operation for the 2012/2013 Financial Year. As the discontinued operation ceased during the year ended 31 March 2013, the 2013/14 Interim Report recorded no revenue, but a further loss of approximately US\$0.08 million (equivalent to approximately HK\$0.62 million) was recorded which consisted solely of miscellaneous office overheads.

**(c) *Business outlook***

According to the 2013 Annual Report, the Group plans to expand the scale of its coal trading business with the view that coal will continue to be the most economical source of energy in the PRC and other Asian countries. Going forward, the Group expects to expand the network of overseas suppliers to ensure a stable supply of quality coal and to develop their customer base in order to achieve a sustainable long term growth in both the financial and operating performance of the Group.

Based on our discussion with Management, it is the Group's intention to realise its remaining interests in the footwear manufacturing business and reallocate its resources for, and direct its focus on, the coal trading business; as well as to seek potential business opportunities in the energy and resources sector, in which the Group has competitive advantage and core competencies, to improve the Group's overall financial performance.

The Disposal of its operational loss-generating footwear manufacturing business and the focus of the Group's resources on its coal trading operation, which has been gaining scale and increasing turnover since its inception, is therefore consistent with the current direction of the Group's development and is in accordance with its recent business strategy.

**2. Principal activities and financial information on the China Compass Group**

**(a) *Principal activities***

China Compass is a wholly-owned subsidiary of the Company. It has one subsidiary, namely, Brave Win. China Compass is an investment-holding company incorporated in the British Virgin Islands whilst Brave Win is a limited company incorporated in Hong Kong. Brave Win was engaged in the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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manufacture of footwear with production facilities located on the Dongguan Land prior to the cessation of its operation in January 2013. Upon cessation of the footwear manufacturing business, the production facilities became idle. Since then, the machinery and equipment occupying the Dongguan Land has been fully disposed of, and the China Compass Group is currently inactive.

**(b) Historical financial information**

A summary of 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 (prepared in accordance with Hong Kong accounting standards) including its profit and loss account and assets and liabilities position are set out as follows:

	<b>For the six months ended 30 September (unaudited) 2013 US\$'000</b>	<b>For the year ended 31 March (audited) 2013 US\$'000</b>	<b>2012 US\$'000</b>
Revenue	N/A	13,112	27,967
Net loss before tax	(82)	(3,711)	(60)
Net loss after tax	(82)	(3,711)	(60)

For the year ended 31 March 2013, the China Compass Group recorded revenue of approximately US\$13.11 million (equivalent to approximately HK\$102.00 million), representing a substantial decrease of approximately 53% compared to approximately US\$27.97 million (equivalent to approximately HK\$217.61 million) recorded for the previous year. Loss for the year widened from approximately US\$0.06 million (equivalent to approximately HK\$0.47 million) for the year ended 31 March 2012 to approximately US\$3.71 million (equivalent to approximately HK\$28.86 million) for the year ended 31 March 2013. As advised by the Management, the widened loss was mainly due to the significant drop in sales and higher production costs as well as the substantial restructuring costs incurred in streamlining the manufacturing operation during the year.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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For the six months ended 30 September 2013, the China Compass Group recorded no revenue following the cessation of its footwear manufacturing business during the year ended 31 March 2013, but a loss of approximately US\$0.08 million (equivalent to approximately HK\$0.62 million) was recorded which consisted solely of miscellaneous office overheads.

		<b>As at 30</b>	<b>As at 31 March</b>	
		<b>September</b>	<b>(audited)</b>	
		<b>(unaudited)</b>	<b>(audited)</b>	
		<b>2013</b>	<b>2013</b>	<b>2012</b>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Assets</b>	Other receivables	N/A	256	4,154
	Cash & Bank	15	277	1,685
<b>Liabilities</b>	Accruals	N/A	(128)	(2,224)
	Amount due to the Company	(1,559)	(1,864)	(3,847)
	Net (Liabilities)/ Assets	(1,541)	(1,459)	2,204

As at 30 September 2013 and 31 March 2013, the China Compass Group recorded net liabilities of approximately US\$1.54 million (equivalent to approximately HK\$11.98 million) and US\$1.46 million (equivalent to approximately HK\$11.36 million) respectively, of which a major portion is related to the unsecured, interest-free Shareholder's Loan repayable on demand to the Company for approximately US\$1.56 million (equivalent to approximately HK\$12.14 million) and US\$1.86 million (equivalent to approximately HK\$14.47 million) respectively. Excluding this, the unaudited net assets of the China Compass Group as at 30 September 2013 and audited assets as at 31 March 2013 were approximately US\$0.02 million (equivalent to approximately HK\$0.16 million) and US\$0.4 million (equivalent to approximately HK\$3.11 million).

The unaudited net assets (excluding Shareholder's Loan) of the China Compass Group as at 30 September 2013 and audited net assets as at 31 March 2013 comprised nominal amounts of other receivables and cash and bank balances. According to the valuation report, no commercial value is attributed to the Dongguan Land (further details of the Dongguan Land and the reasoning behind this valuation are described in paragraph 3 below).

**3. The Dongguan Land**

***(a) Information on the Dongguan Land***

As described in the “Letter from the Board” within the Circular, the Dongguan Land consists of three contiguous parcels of land of approximately 24,490 square metres, located in the Second Industrial Zone, Xiaobian Community, Changan Town, Dongguan City, Guangdong Province, the PRC. The industrial complex on the Dongguan Land comprises eleven blocks of one to seven storey buildings (currently dilapidated) with a total gross floor area of approximately 28,057.08 square metres.

Brave Win holds the DL Use Rights, under the Dongguan Agreements, until 4 August 2040 or 1 December 2046, as the case may be. It should be noted that under the Dongguan Agreements, Brave Win does not have ownership of the Dongguan Land, but holds the land use rights, being the DL Use Rights. The DL Use Rights will be lapsed at the maturity of the Dongguan Agreements. Brave Win previously operated the manufacture of footwear with production facilities located on the Dongguan Land before the cessation of the footwear manufacturing business in January 2013. Under the Dongguan Agreements, Brave Win has the right to transfer or to sub-let the DL Use Rights.

***(b) DL Use Rights and Dongguan Land Arrangements of 2009***

As mentioned above, Brave Win has the right to use the Dongguan Land under the Dongguan Agreements. As disclosed in the 2009 Announcement and the 2009 Circular, Brave Win agreed to transfer to Dongguan Hung Yip the right to apply to the PRC authority for Legal Ownership of the Dongguan Land. This transaction was necessary as Brave Win is not a legal entity in the PRC for the purpose of making the relevant applications. Such ancillary arrangements have duly been acknowledged and agreed between Peak Rise and the Company in the Peak Rise Agreement (which was the subject of the 2009 Announcement and the 2009 Circular). Pursuant to the Peak Rise Agreement, Peak Rise and the Company agreed, among other things, that Brave Win will continue to hold the DL Use Rights until Dongguan Hung Yip successfully obtains Legal Ownership of the Dongguan Land or the maturity of the Dongguan Agreements (whichever is earlier).

It was further agreed that if Dongguan Hung Yip were to successfully obtain Legal Ownership of the Dongguan Land and Brave Win or the Group wished to purchase or continue to use the Dongguan Land, the terms in relation to the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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use shall be negotiated by Dongguan Hung Yip and Brave Win or the Group (as the case may be). It should be noted, however, that there is no obligation for Dongguan Hung Yip to sell or continue to lease the land to Brave Win as the Peak Rise Agreement does not stipulate that any offer tendered by Brave Win, or the Group, must be accepted by Dongguan Hung Yip.

Dongguan Hung Yip submitted a formal application on 11 May 2009 to the PRC authority to obtain Legal Ownership of the Dongguan Land, which is pending approval as at the date hereof and Brave Win continues to hold the DL Use Rights as at the date hereof.

**(c) *Brave Win's ability to dispose of, or sublet, the DL Use Rights***

Although Brave Win may, under the Dongguan Agreements, transfer or sublet its DL Use Rights to third parties, the ability of such third parties to use the Dongguan Land, and the period for which they could use it, would have to be subject to the Dongguan Land Arrangement. 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 as to its continued use of the Dongguan Land.

Any disposal of Brave Win's DL Use Rights that simultaneously disposes of Brave Win's corresponding obligations under the Dongguan Agreements requires the consent of Xiaobian Community Committee. In addition, any disposal or subletting of Brave Win's DL Use Rights without the consent of Dongguan Hung Yip may expose the Group to risks of claims for compensation if the agreement were to compromise Dongguan Hung Yip's Land Application.

Moreover, since Brave Win does not possess the construction engineering planning certificate(s) for the buildings occupying the Dongguan Land, any leasing contracts for the buildings may not be enforceable under PRC laws. According to the Company's legal advisers on PRC law, Brave Win would not be an appropriate applicant for the construction engineering planning certificate(s) considering the Land Application submitted by Dongguan Hung Yip.

**(d) *Valuation***

Since Brave Win does not have Legal Ownership of the Dongguan Land and due to the encumbered nature of the DL Use Rights, the valuation report ascribed no commercial value to the DL Use Rights held by Brave Win.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Under the Sale and Purchase Agreement, the Company is in effect selling its entire interest in Brave Win and its DL Use Rights and giving up the first right of refusal, as granted under the Peak Rise Agreement, to purchase and lease the Dongguan Land from Dongguan Hung Yip upon Dongguan Hung Yip successfully obtaining the Legal Ownership of the Dongguan Land. Immediately upon Completion, the DL Use Rights will fall to one of a group of companies controlled by Mr. Lee, namely the Purchaser, in addition to the legal right to apply for Legal Ownership of the Dongguan Land which Mr. Lee already possesses, under the Peak Rise Agreement.

#### **4. Announcements of the Company dated 23 August 2013 and 23 October 2013**

As mentioned above, it is the Group's intention to realise its remaining interests in the footwear manufacturing business, the Group has been in discussion with Mr. Lee regarding the proposed disposal of China Compass Group as disclosed in the Company's announcement dated 23 August 2013. The Company has entered into the Sale and Purchase Agreement with Mr. Lee on 26 February 2014 (further details of which are set out below).

As referred to in the Company's announcement dated 23 October 2013 and mentioned in the "Letter from the Board" within this Circular, there was an Early Termination Offer of RMB55 million (equivalent to approximately US\$9.03 million) from the Xiaobian Community Committee in respect of the early termination of the Dongguan Agreements between the Xiaobian Community Committee and Brave Win. According to the Company's legal advisers on PRC law, the acceptance of the Early Termination Offer would entail the termination of the Dongguan Agreements which would consequently extinguish the basis for the Land Application by Dongguan Hung Yip. This could expose Brave Win and the Company to claims by Dongguan Hung Yip and Peak Rise for compensation for breach of the Dongguan Land Arrangements. According to the Company's legal advisers on 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. We are of the view that if the Early Termination Offer were to be accepted and subsequently completed, these damages could potentially amount to RMB55 million (equivalent to approximately US\$9.03 million), given that Dongguan Hung Yip could claim any amount received by Brave Win as lost potential earnings. In view of the above risks, we consider that it is not in the interests of the Group to pursue the Early Termination Offer in these circumstances.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Furthermore, based on enquiries made by the Company, the Directors also understand that there may be practical difficulties for the implementation of the Early Termination Offer, which involves the payment of consideration by a PRC collectively-owned enterprise.

### 5. The Sale and Purchase Agreement

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 of China Compass Group. To assess its fairness and reasonableness, we have considered the following terms of the Sale and Purchase Agreement, namely the Consideration, the payment method, the terms of Completion and the underlying legal/financial implications of the Dongguan Agreements, the Peak Rise Agreement and the Early Termination Offer.

#### (a) *Consideration*

The aggregate Consideration for the Sale Shares and Shareholder's Loan is US\$3.2 million (equivalent to approximately HK\$24.896 million). It is also a term of the Sale and Purchase Agreement that the Purchaser delivers, at Completion, 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 the Dongguan Land Arrangements. As described in the "Letter from the Board" within the Circular, the Consideration was arrived at after arm's length negotiations between the Company and the Purchaser. In assessing the fairness of the Consideration, we noted:

- i. As at 30 September 2013 and 31 March 2013, the China Compass Group had recorded net assets of approximately US\$0.02 million (equivalent to approximately HK\$0.16 million) and US\$0.4 million (equivalent to approximately HK\$3.11 million) respectively (adjusted for the Shareholder's Loan as described above), and for the year ended 31 March 2013, the China Compass Group recognised net losses of approximately US\$3.71 million (equivalent to approximately HK\$28.86 million). Furthermore, as disclosed in the 2013/14 Interim Report, the China Compass Group is no longer generating any revenue having ceased its footwear manufacturing business. In view of these factors, the Consideration of US\$3.2 million (equivalent to approximately HK\$24.896 million) exceeds the sum of the unaudited net assets

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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(excluding Shareholder's Loan) and the Shareholder's Loan of the China Compass Group as at 30 September 2013 and 31 March 2013 and is favourable in terms of price-to-book ratio, and given that there will be no future income generated from the ceased footwear manufacturing business.

- ii. Pursuant to the Peak Rise Agreement, Brave Win has transferred the right to apply to the PRC authority to obtain Legal Ownership of the Dongguan Land to Dongguan Hung Yip and this being the case, Brave Win are only in possession of the DL Use Rights. Any potential third party purchaser or sub-letter of Brave Win's DL Use Rights would therefore be purchasing encumbered use rights in the knowledge that they may be required to vacate the Dongguan Land in the future as described in paragraph 3(c) above. Due to the encumbered nature of the DL Use Rights, and in accordance with the valuation report which ascribed no value to the DL Use Rights, we find it unlikely that any potential third party purchaser or sub-lessee would be interested in Brave Win or Brave Win's DL Use Rights. Moreover, even if a third party were interested in purchasing or sub-letting Brave Win's DL Use Rights, the transaction would have to receive the consent of Dongguan Hung Yip and, depending on whether the corresponding obligations as set out in the Dongguan Agreements were to be transferred, Xiaobian Community Committee, both of which Management have instructed, are extremely unlikely to be obtained.
- iii. In addition, as mentioned in paragraph 3(c) above, since it does not possess the construction engineering planning certificate(s), the validity of any sub-letting arrangement Brave Win enters in to is legally questionable under PRC laws. This creates more uncertainty as to Brave Win's ability to transfer or sub-let its DL Use Rights to a third party at any price or at all.
- iv. The factory located on the Dongguan Land is currently inactive and not yielding any revenue. All of its inventories, machinery and equipment have been disposed of since the discontinuation of the manufacturing operation and the Company currently does not foresee any possible use of the Dongguan Land for its coal trading operations in the future. We therefore believe there is no potential benefit in maintaining ownership of the Dongguan Land and we consider any opportunity to earn a return from this non-revenue generating land to be justifiable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**(b) *Payment method***

As described in the “Letter from the Board” within the Circular, the Consideration shall be payable by the Purchaser to the Company in the following manner:

- i. the Deposit in the sum of US\$0.5 million (equivalent to approximately HK\$3.89 million) has been paid to an independent escrow agent immediately upon the signing of the Sale and Purchase Agreement, to be released to the Company at Completion; and
- ii. the remaining balance of the Consideration in the sum of US\$2.7 million (equivalent to approximately HK\$21.01 million) shall be paid at Completion.

The Consideration is to be settled in cash upon Completion. This will provide the Group with additional general working capital which can be deployed immediately.

**(c) *Completion***

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 the Disposal by notice in writing 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 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.

**6. Reasons for and benefits of the Disposal**

**(a) *Guaranteed realisation of value of the Dongguan Land***

The DL Use Rights are the remaining asset of Brave Win and the China Compass Group following the cessation of the footwear manufacturing business in January 2013. Pursuant to the Sale and Purchase Agreement, the Company would receive a total of US\$3.2 million (equivalent to approximately HK\$24.896 million) as a result of the Disposal. The Sale and Purchase Agreement represents the only means of realising the value of the Dongguan Land with certainty. Due to Brave Win's lack of Legal Ownership of the Dongguan Land, any attempt by Brave Win to sell the Dongguan Land is legally invalid, whilst any sub-letting agreement entered into by Brave Win for the Dongguan Land would be similarly legally uncertain due to its lack of the aforementioned certificate(s). Moreover any attempt by Brave Win to dispose of or sub-let the DL Use Rights to a third party requires the consent of Dongguan Hung Yip and potentially, depending on the nature of the transaction, Xiaobian Community Committee, which Management advise will not be forthcoming. If undertaken without the necessary consent, any transaction is highly likely to incur compensation claims from Dongguan Hung Yip for any amount received in relation to the Dongguan Land. Furthermore, due to their encumbered nature, any attempt to dispose of, or sub-let, the DL Use Rights is unlikely to receive significant interest from any third party.

If no action were to be taken, Brave Win and the Dongguan Land will remain non-revenue generating. Moreover, if no action were to be taken and Dongguan Hung Yip were to successfully obtain Legal Ownership of the Dongguan Land, no value would be received by the Company in respect of Brave Win's DL Use Rights.

**(b) *Unconditional agreement with no completion risk***

The Sale and Purchase Agreement is conditional only upon the obtaining of Independent Shareholders' approval, and if this were to be obtained, there is no risk of non-completion.

In our assessment of the Sale and Purchase Agreement, we noted the Xiaobian Community Committee Early Termination Offer. On the face of it, since the consideration under the Early Termination Offer amounted to RMB55 million (equivalent to approximately US\$9.03 million and substantially more than Mr.

Lee's offer under the Sale and Purchase Agreement), the Early Termination Offer, if successfully completed, would be preferable to Mr. Lee's Sale and Purchase Agreement. However, in accordance with legal advice and information provided by the Company, we believe if Brave Win were to accept the Early Termination Offer, they would face a high risk of being exposed to damages payable to Dongguan Hung Yip. Furthermore, it is questionable whether a PRC collectively owned enterprise would be able to complete payment of any consideration of this size. The Early Termination Offer, although potentially more lucrative than the Sale and Purchase Agreement, is thus legally contentious, unconfirmed and entails a high risk of non-completion.

**(c) *Consistent with the Group's business strategy***

The realisation of the value of the Group's final remaining assets associated with its previous footwear manufacturing operations and its subsequent conversion into working capital to be utilised within its coal trading operations, as implemented by the Disposal, is consistent with the Group's current business strategy. This Disposal will allow the Group to fully focus its resources on its coal trading business.

**7. Possible financial effects to the Group**

**(a) *Earnings***

Upon Completion, the Company will not hold any interest in any of the members of the China Compass Group, all 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. For illustrative purposes, assuming that the Disposal was completed on 31 December 2013, the Company would have recorded an unaudited gain on disposal (before deducting the related transaction costs) of approximately US\$3.2 million (equivalent to approximately HK\$24.896 million). This 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\$12.45 million) as at 31 December 2013 and the Shareholder's Loan of approximately US\$1.6 million (equivalent to approximately HK\$12.45 million) as at the same date.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*(b) Net asset value*

Upon Completion, the net assets of the Group are expected to be enhanced by the gain on disposal. However, Shareholders should note that the exact asset value shall only be ascertained following determination of the fair value of the net assets of the China Compass Group upon the date of Completion.

*(c) Working capital*

Upon successful completion of the Sale and Purchase Agreement, the Group would have an immediate increase in its working capital of approximately US\$3.2 million (equivalent to approximately HK\$24.896 million) which could be used, in particular, to focus on its existing coal trading business and explore future investments to enhance Shareholder's value.

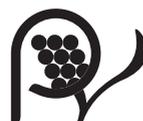
Based on the above, the Disposal will have a positive impact on the Group's earnings, net asset value and its working capital position.

### RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution relating to the approval of the Sale and Purchase Agreement and the transactions contemplated therein to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Chang Sean Pey**  
*Executive Director*

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in the circular, received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of value of the Dongguan Land as at 28 February 2014.*



**Peak Vision  
Appraisals Limited**

12/F, Effectual Building  
14-16 Hennessy Road  
Wanchai, Hong Kong  
[www.peakval.com](http://www.peakval.com)

Tel (852) 2187 2238  
Fax (852) 2187 2239

25 March 2014

The Board of Directors  
Ares Asia Limited  
Unit 1602, 16th Floor  
LHT Tower  
31 Queen's Road Central  
Central  
Hong Kong

Dear Sirs,

Re: An industrial complex located at Second Industrial Zone, Xiaobian Community, Changan Town, Dongguan City, Guangdong Province, the People's Republic of China

In accordance with the instructions from Ares Asia Limited (hereinafter referred to as the "Company" and together with its subsidiaries, the "Group") for us to value the property interest in the People's Republic of China (hereinafter referred to as the "PRC") held by the Group in the form of the rights to occupy and use the captioned property, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property interest as at 28 February 2014 (hereinafter referred to as the "Valuation Date") for public documentation purpose.

This letter, forming part of our valuation report, identifies the property interest being valued, explains the basis and methodology of our valuation and lists out the assumptions, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation represents our opinion of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property, which was previously held for owner occupation by the Group, we have attributed no commercial value to the property interest as proper title certificates for the property have not been obtained.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation. In addition, we have been advised by the Company that the property is not subject to any option or right of pre-emption which would concern or affect the sale of the property unless otherwise specified in this report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Company with copies of documents in relation to the title to the property interest located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Company and the legal opinions prepared by GFE Law Office, the Company’s legal adviser on the PRC law (hereinafter referred to as the “PRC Legal Adviser”), regarding the title to the property interest.

The property was inspected during December 2013 by Mr. Tony M. W. Cheng, a manager of our firm who has 8 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor area of the property but have assumed that the site and floor area shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Company and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, site and floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the property interest, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Group, the property or the value reported herein.

Our valuation certificate is enclosed herewith.

Yours faithfully,

For and on behalf of

**Peak Vision Appraisals Limited**

**Nick C. L. Kung**

*MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer*

*Director*

*Corporate Valuations*

*Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has more than 23 years of experience in the valuation of properties in Hong Kong and the PRC.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2014
An industrial complex located at Second Industrial Zone, Xiaobian Community, Changan Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises three contiguous parcels of land with an industrial complex erected thereon, located on the northern side of Dezheng Middle Road, on the section between Xinhong Road and Xiaobian Beiyuan Street, in Second Industrial Zone of Xiaobian Community, with a total site area of approximately 24,490 sq.m.</p> <p>The industrial complex comprises 11 blocks of 1 to 7-storey buildings for factory, dormitory, office and composite uses, completed in phases between 1991 to 1998 with a total gross floor area of approximately 28,057.08 sq.m.</p> <p>The usage rights of the property have been granted to 香港勇榮實業有限公司 (Brave Win Industries Limited, "Brave Win") by 東莞市長安鎮霄邊管理區 (unofficially translated as "Dongguan Changan Xiaobian Management Area", "Party A") and 東莞市長安霄邊工業發展公司 (unofficially translated as "Dongguan Changan Xiaobian Industrial Development Company", "Party B") for terms expiring on 4 August 2040 and 1 December 2046 respectively, for industrial development use.</p>	<p>The property is currently vacant.</p> <p>As noted during our inspection in December 2013, major buildings of the property are in poor condition and without roof, windows, doors or fittings.</p>	No Commercial Value (see Note (vi) below)

*Notes:*

- (i) Pursuant to the Contract for Factory Construction Investment (投資建廠合同書) entered into between Party A and Brave Win dated 14 August 1990, Brave Win acquired from Party A the right to use a portion of the property for a term commencing on 5 August 1990 and expiring on 4 August 2040 for industrial development. The salient conditions stipulated in the said contract are summarised as follows:
- (a) Location : The site (Land Name Xiachuan Pu) located at Xiaobian Management Zone, Changan Town (長安鎮霄邊管理區所在的(土名下川埔)空地)
- (b) Site area (approx.) : 19,950 sq.m.
- (c) Land consideration : HK\$1,316,700
- (d) Land use term expiring : 4 August 2040

- (ii) Pursuant to a supplementary agreement to the Contract for Factory Construction Investment entered into between Party A and Brave Win dated 4 April 1994, Brave Win acquired from Party A the right to use an additional portion of the property with a site area of approximately 1,870 sq.m. at a consideration of HK\$448,800. The usage term of the said portion is the same as stipulated in the Contract for Factory Construction Investment.
- (iii) Pursuant to the Contract for Transfer of Land Use Rights (土地使用權有償轉讓合同書) entered into between Party B and Brave Win dated 21 November 1996, Brave Win acquired from Party B the right to use the remaining portion of the property for a term commencing on 1 December 1996 and expiring on 1 December 2046 for industrial development. The salient conditions stipulated in the said contract are summarised as follows:
- a) Location : Hougou Shan (Land Name), Xiaobian, Changan Town  
(長安鎮霄邊(土名)後溝山)
  - b) Site area (approx.) : 2,670 sq.m.
  - c) Land consideration : HK\$694,200
  - d) Land use term expiring : 1 December 2046
- (iv) Pursuant to 11 Registration Forms for the Application of Real Estate Ownership of Completed Buildings, Dongguan City (東莞市已建房屋申請補辦房地產權手續登記備案表), construction of 11 buildings of the property with a total gross floor area of 28,057.08 sq.m. was completed between 1991 and 1998.
- (v) We have been provided with legal opinions on the property prepared by the PRC Legal Adviser, which contains, inter alia, the following information:
- a) According to the resolution passed by the board of directors of Brave Win, dated 30 June 2009, Brave Win agreed to grant 東莞宏業製鞋有限公司 (“Hung Yip”) the right to apply for the real estate ownership of the property. Hung Yip has registered its application in May 2009. Upon completion of application procedures and obtaining the Certificate of Real Estate Ownership of the property, Hung Yip will hold legal ownership of the buildings and land use rights of the property. The PRC Legal Adviser is not in a position to confirm that there is no legal impediment to Hung Yip obtaining the legal title as they are not able to ascertain whether or not Hung Yip has complied with or is able to comply with relevant conditions or requirements of the Dongguan Government;
  - b) Currently, neither Brave Win nor Hung Yip have obtained proper title certificates for the land and buildings of the property and therefore do not enjoy statutory land use rights of the land and ownership of the buildings;
  - c) Brave Win is entitled to occupy and use the land and buildings of the property in accordance with the contracts mentioned in Notes (i), (ii) and (iii) above (collectively, the “Contracts”);
  - d) Brave Win is entitled to transfer the rights granted under the Contracts (without transferring corresponding obligations) or sub-let the use of the property, and is only required to notify the other party of the Contracts in such case. However, Brave Win is required to obtain consent from the other party of the Contracts should it transfer all of its rights, together with its corresponding obligations, under the Contracts. In view of the land application rights of Hung Yip mentioned in Note (v) (a) above, for any transfer of rights granted under the Contracts or sub-letting of the property, Brave Win may seek consent from Hung Yip to avoid the risk of claims for compensation in connection with such transfer or sub-let;
  - e) If Brave Win has not obtained the Certificates of Construction Engineering Planning for the property or obtained approval from the relevant administrative department, any tenancy agreement for the property entered into between Brave Win and third parties would not be valid. According to the legal opinion, application for the said Certificates of Construction Engineering Planning should be carried out by Hung Yip; and

- (f) Party A is now known as 東莞市長安鎮霄邊社區居民委員會 (unofficially translated as “Dongguan Changan Xiaobian Community Committee”). According to inquiries made by the PRC Legal Adviser, Party A is the administrative department (investor) of Party B as at the date Party B entered into the contract mentioned in Note (iii) above.
- (vi) In our valuation of the property, we have attributed no commercial value to the property as proper title certificates have not been obtained by the Group.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### A. Directors' Interests

As at the Latest Practicable Date, the interests or short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long positions in the shares of the Company

Name of Director	Capacity	Number of shares held/ interested	Approximate percentage of issued Shares
CHUA Chun Kay ("Mr. CHUA")	Beneficial owner and interest of a controlled company ( <i>Note</i> )	182,458,061	53.57%

*Note:*

The 182,458,061 shares in the Company are owned by Star Crown Capital Ltd ("Star Crown") and the entire issued share capital of Star Crown is owned by Mr. CHUA. Mr. CHUA is a director of Star Crown.

*(ii) Options outstanding under the share option scheme of the Company*

Name of Director	Capacity	Grant date	Exercisable period	Exercise price (HK\$)	Number of underlying Shares (options granted)	Approximate percentage of the issued Shares
Junaidi YAP	Beneficial Owner	25 October 2012	25 October 2012 to 23 October 2015	0.63	1,500,000	0.44%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**B. Substantial Shareholders' Interests**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

*Long positions in the Shares*

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held/ interested</b>	<b>Approximate percentage of issued share</b>
Star Crown Capital Ltd	Corporate ( <i>Note</i> )	182,458,061	53.57%

*Note:*

Such interests have been disclosed as interests of Mr. CHUA in the “Directors’ and Chief Executives’ interests and Short Positions in Shares, Underlying Shares and Debentures” above.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

**C. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**D. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**E. INTERESTS IN ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors, Altus Capital, Peak Vision Appraisals Limited or GFE Law Office had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2013 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

**F. INTERESTS IN CONTRACTS**

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any member of the Group and subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**G. QUALIFICATIONS OF EXPERT AND CONSENT**

- (i) The following are the qualifications of the expert which has given an opinion or advice contained in this circular.

<b>Name</b>	<b>Qualifications</b>
Altus Capital	a licensed corporation for Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Peak Vision Appraisals Limited	independent valuer
GFE Law Office	PRC legal adviser

- (ii) Each of Altus Capital, Peak Vision Appraisals Limited and GFE Law Office has given and has not withdrawn its written consent to the issue of this circular with the inclusion of references to its name and its letter in the form and context in which it appears.

- (iii) As at the Latest Practicable Date, each of Altus Capital, Peak Vision Appraisals Limited and GFE Law Office did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**H. MATERIAL ADVERSE CHANGE**

As disclosed in the interim results announcement of the Company dated 29 November 2013, the Group recorded a substantial increase in unaudited consolidated loss for the six months ended 30 September 2013 as compared to the results for the six months ended 30 September 2012. The increase in loss was mainly due to the unrealised loss recognised on the exchangeable bond subscribed by the Group in relation to certain coal concessions in Indonesia.

Save as disclosed above, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 March 2013, the date to which the latest published audited financial statements of the Company were made up.

**I. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the following documents is available for inspection at the office of the Company at Unit 1602, 16/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong, during normal business hours on any weekday (except Saturdays and public holidays) for a period commencing on the date of this circular up to the date of SGM:

- (i) the Sale and Purchase Agreement;
- (ii) the Dongguan Agreements;
- (iii) the Peak Rise Agreement;
- (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 35 of this circular;
- (v) the letter from the Independent Board Committee, the text of which is set out on pages 17 and 18 of this circular;
- (vi) the property valuation report from Peak Vision Appraisals Limited, the text of which is set out on pages 36 and 41 of this circular;

(vii) the written consent given by each of Altus Capital, Peak Vision Appraisals Limited; GFE Law Office, as referred to in paragraph G of this appendix; and

(viii) this circular.

**J. GENERAL**

The English version of this circular shall prevail over the Chinese text.

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## NOTICE OF SPECIAL GENERAL MEETING

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### ARES ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Ares Asia Limited (“Company”) will be held at Unit 1602, 16/F, LHT Tower, No. 31 Queen’s Road Central, Central, Hong Kong on Thursday, 10 April 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

#### **ORDINARY RESOLUTION**

1. **“THAT:**

- (a) the transactions contemplated under an agreement (the “**Agreement**”) dated 26 February 2014 and entered into between the Company and Landway Investments Limited (the “**Purchaser**”) pursuant to which, amongst other things, the Company agreed to sell, and the Purchaser agreed to purchase 1 share in Brave Win Industries Limited and 1,000 shares in China Compass Investments Limited (“**China Compass**”) together with a shareholder’s loan in the principal amount of US\$1,578,767 as at completion of the Agreement owing by China Compass to the Company for a total consideration of US\$3,200,000, a copy of which has been produced to this meeting marked “**A**” and signed by the chairman of the meeting for the purpose of identification, be and are hereby approved; and
- (b) the director(s) of the Company be and is/are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in their discretion consider necessary, desirable or expedient to carry out and implement the Agreement and all the transactions contemplated thereunder into full effect.”

By order of the Board

**Ares Asia Limited**

**Junaidi YAP**

*Executive Director*

Hong Kong, 25 March 2014

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and (if required by the board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

*As at the date of this notice, 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.*