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ARES ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

CONNECTED TRANSACTION RENEWAL OF LEASE AGREEMENT

RENEWAL OF LEASE AGREEMENT

The Board announces that on 15 July 2021, the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the Lease Renewal Agreement with the Lessor in respect of the renewal of lease of the Premises for a term of 3 years commencing from 16 July 2021 and expiring on 15 July 2024.

LISTING RULES IMPLICATIONS

The Lessor is a direct wholly-owned subsidiary of Reignwood International Holdings Company Limited which is the Controlling Shareholder of the Company holding 337,465,038 Shares, representing approximately 65.76% of the total issued share capital of the Company as at the date of the Lease Renewal Agreement. The Lease Renewal Agreement therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the Lease Renewal Agreement, is higher than 0.1% but less than 5%, the transaction contemplated under the Lease Renewal Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

RENEWAL OF LEASE AGREEMENT

On 15 July 2021, the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the Lease Renewal Agreement with the Lessor in respect of the lease of the Premises for a term of 3 years commencing from 16 July 2021 and expiring on 15 July 2024.

LEASE RENEWAL AGREEMENT

The principal terms of the Lease Renewal Agreement are set out below:

Date:	15 July 2021
Lessor:	Reignwood International Investment (Group) Company Limited, an investment holding company wholly owned by the Controlling Shareholder of the Company
Lessee:	Ares Repco Limited
Premises:	Unit No. 9608, Level 96, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Area:	Approximately 1,496 square feet
Lease term:	3 years from 16 July 2021 and expiring on 15 July 2024 (both dates inclusive)
Monthly rent:	HK\$135,720 (or HK\$90.7 per square feet) payable in advance monthly
Rates:	The Lessee shall bear the portion of the rates being assessed and calculated proportionate to the area of the Premises
Monthly air-conditioning charges and property management fee:	Approximately HK\$14,661 (or HK\$9.8 per square feet), subject to any further change imposed by the building management during the lease term
Utility charges:	The Lessee shall bear the portion of the utility charges incurred by the users at the Premises and calculated proportionate to the area of the Premises
Deposit:	HK\$530,720

The Premises form part of a larger space leased by the Lessor from an independent third party. The original acquisition cost borne by the Lessor in relation to the Premises, based on the estimated right of use asset under the Lessor's lease from the independent third party attributable to the Premises, is approximately HK\$4,100,000. The monthly rent of the Lease Renewal Agreement is determined after arm's length negotiations with reference to the various lease offers quoted and recent transactions reported by property agents in respect of premises within the same building. The sharing of other rates, fees and charges as mentioned above is generally calculated based on the area of the Premises.

HKFRS 16 requires that the Group accounts for its rights to the use of the Premises under the Lease Renewal Agreement as a right-of-use asset while its obligations to make lease payments (i.e. the rental) as lease liability. The asset and the liability arising from the Lease Renewal Agreement are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Lease Renewal Agreement using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group is required to recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

The Company estimates, based on the terms of the Lease Renewal Agreement, that the right-of-use of assets as at the commencement of the term of the Lease Renewal Agreement to be approximately HK\$4,540,000. This estimated figure is unaudited and is subject to adjustment.

REASONS FOR AND BENEFITS OF THE RENEWAL OF LEASE OF THE PREMISES

The Group has been renting the Premises since 20 October 2014, as disclosed in the announcements of the Company dated 17 October 2014 and 19 September 2018.

The Directors consider that it is in the commercial interests of the Company if the Group continues to rent the Premises, which is being used as the Company's principal place of business in Hong Kong as the Premises is located within a well-equipped and well managed office building which is also a landmark building in Hong Kong. In addition, it is not easy to identify other appropriate premises and the Company will have to bear unnecessary relocation costs and expenses if the Group's Hong Kong operations were to move to other premises.

The terms of the Lease Renewal Agreement were arrived at after arm's length negotiations between the Lessee and the Lessor with reference to the market terms of similar office properties in Hong Kong.

The Directors, including the independent non-executive Directors, consider that the transaction contemplated under the Lease Renewal Agreement to be in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of the Lease Renewal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE LESSOR

The Group is principally engaged in the coal trading business and mainly sells thermal coal originated from Indonesia, Russia and Australia to the PRC.

The principal activity of the Lessor is investment holding. The Lessor is a member of Reignwood Group. Reignwood Group is a multinational conglomerate with significant presence in the PRC and its major business investments and operations include energy drinks, Beijing Pine Valley Golf Club & Resort and Beijing Reignwood Centre, etc..

LISTING RULES IMPLICATIONS

Dr. Chanchai RUAYRUNGRUANG owns the entire share capital of Reignwood International Holdings Company Limited, which holds 337,465,038 Shares representing approximately 65.76% of the total issued share capital of the Company, and is the controlling shareholder of the Company. The Lessor is a direct wholly-owned subsidiary of Reignwood International Holdings Company Limited and, therefore, an associate of Dr. Chanchai RUAYRUNGRUANG and a connected person of the Company. The Lease Renewal Agreement therefore constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the Lease Renewal Agreement, is higher than 0.1% but less than 5%, the transaction contemplated under the Lease Renewal Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules

Ms. RUAYRUNGRUANG Woraphanit, Chairlady of the Board, chief executive officer and executive Director, is the daughter of Dr. Chanchai RUAYRUNGRUANG and holds positions in the Reignwood Group. In view of this, she has abstained from voting on the Board resolution to approve the Lease Renewal Agreement.

DEFINITION

In this announcement, the following terms shall have the meanings set out below, unless the context requires the otherwise:

“Board”	the board of Directors
“associate(s)”, “connected person(s)”, “controlling shareholder” and “percentage ratios”	have the meanings ascribed to them in the Listing Rules
“Company”	Ares Asia Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lease Renewal Agreement”	the agreement dated 15 July 2021 entered into between the Lessor and the Lessee governing the sub-lease of the Premises for a term of 3 years from 16 July 2021 and expiring on 15 July 2024
“Lessee”	Ares Repco Limited, an indirect wholly-owned subsidiary of the Company
“Lessor”	Reignwood International Investment (Group) Company Limited, a direct wholly-owned subsidiary of Reignwood International Holdings Company Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	Unit No. 9608, Level 96, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

“Reignwood Group”	a multinational conglomerate controlled by Dr. Chanchai RUAYRUNGRUANG with significant presence in the PRC and the major business investments and operations of which include energy drinks, Beijing Pine Valley Golf Club & Resort and Beijing Reignwood Centre, etc.
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholders”	the holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
ARES ASIA LIMITED
RUAYRUNGRUANG Woraphanit
Chairlady

Hong Kong, 15 July 2021

As at the date of this announcement, the executive Directors are Ms. RUAYRUNGRUANG Woraphanit (Chairlady) and Mr. Lai Yi-Chun (or Mr. Robert LAI), and the independent non-executive Directors are Mr. CHANG Jesse, Mr. NGAN Hing Hon and Mr. YEUNG Kin Bond, Sydney.