

**ARES ASIA LTD:  
TRIALS AND TRIBULATIONS OR ... ?**

Landway Investments Ltd, a company, domiciled in the **British Virgin Islands (BVI)**, has sued Ares Asia Ltd () (Code: 645, Main Board, The Stock Exchange of Hongkong Ltd) for \$US700,000 (about \$HK5.43 million).

Perhaps, more surprising than the money that is being sought from Ares Asia Ltd by Landway Investments Ltd are the allegations, made in the Statement of Claim, attached to Writ of Summons, Number 756 of 2016.

Landway Investments Ltd, the Plaintiff in Action Number 756, an Action, lodged recently in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), is alleging, inter alia, that Ares Asia Ltd duped it into increasing its offer to purchase a piece of land in Dongguan, the PRC, from a subsidiary of Ares Asia Ltd.

Landway Investments Ltd is legally and beneficially owned by Mr Lee Chi Keung ("**LCK**") (), also known as Mr Russell Lee Chi Keung (), the former Executive Chairman of Ares Asia Ltd, according to the database of **TOLFIN** (), the Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider.

At Paragraph 1.(d) of the Statement of Claim, it is alleged that Brave Win Industries Ltd (), an HKSAR-incorporated company, is an indirect subsidiary of Ares Asia Ltd via its equity holdings in another subsidiary, namely China Compass Investments Ltd, a company, domiciled in the BVI.

At Paragraphs 1.(g) and 1.(h) of the Statement of Claim, it is alleged:

*'On 15 April 2009, the authority in the PRC issued a policy directive known as granting Brave Win (Brave Win Industries Ltd) as user a right to apply to perfect the legal ownership of Dongguan Land ("**the Right**"). At that time, it was resolved, inter alia, by the Defendant (Ares Asia Ltd) (then still owned Brave Win) that Dongguan Hung Yip (Dongguan Hung Yip Shoes Manufacturing Company Ltd []) would take up the Right and to apply for perfection of the legal title of ownership (as opposed to only use) of the Dongguan Land and that Brave Win would continue using the Dongguan Land. By and agreement dated 15 September 2009 entered into between Brave Win and Hung Yip, it was agreed, inter alia, that Brave Win would transfer the Right to Hung Yip and Brave Win would continue to use the Dongguan Land during the application.*

*'The application to convert the Use of the Dongguan Land to legal ownership under the Right is still in the process without it having been approved by the PRC authority up to the issuance of this writ.'*

Landway Investments Ltd was desirous of obtaining the Dongguan Land and, as such, entered into negotiations with Ares Asia Ltd with a view to purchasing the property.

Paragraph 4 of the Statement of Claim makes the following allegations:

*'During the negotiations that took place from July 2013 and before the conclusion of the Sale*

*Share Agreement – for the Plaintiff to purchase from the Defendant the equity interest and a Shareholder’s Loan that China Compass Investments Ltd held, at that time – when the Consideration Price was finally agreed upon, the parties had negotiated for different considerations, at variance from the nominal price to, when the Plaintiff agreed, and so informed the Defendant, to pay only the final price of US\$2.5 million near end of August 2013. The Plaintiff avers that by the time of 23 August 2013, when the Defendant announced the potential disposal of the China Compass Shares, the parties had in principle fixed the US\$2.5 million as the consideration price just feel short of a signed binding agreement.’*

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