

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.



China Asean Resources Limited

神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8186)

- (i) VERY SUBSTANTIAL ACQUISITION INVOLVING ACQUISITION OF A THIRD FOREST IN CAMBODIA;**
 - (ii) SHARE CONSOLIDATION OF 5 SHARES INTO 1 NEW SHARE;**
 - (iii) INCREASE IN AUTHORISED SHARE CAPITAL;**
 - (iv) SPECIFIC MANDATE TO ISSUE NEW SHARES;**
- AND**
- (v) RESUMPTION OF TRADING**

THE ACQUISITION AGREEMENT

The Company is pleased to announce that on 22 July 2010, the Acquisition Agreement was entered into among Forest Glen, a wholly-owned subsidiary of the Company, the Vendors and the Company pursuant to which the Vendors have conditionally agreed to dispose of and assign, and Forest Glen has conditionally agreed to purchase and accept the assignment of the Sale Shares and the Sale Loan, respectively, at the Consideration (representing a discount of approximately 75% to the low end of the initial valuation range of the Third Forest between HK\$1,300 and HK\$1,700 million). The Consideration will be satisfied as to HK\$47,930,873 by the issue of the Consideration Shares at the Issue Price and as to the remaining HK\$282,069,127 by the issue of the Convertible Bonds. Upon Completion, the Target Group will be indirectly wholly-owned by the Company and the total site area of the Group's forest land will be increased substantially by nearly 60% to approximately 31,000 hectares.

THE WORKING CAPITAL FACILITY

Pursuant to the Acquisition Agreement, the Vendors will provide the Working Capital Facility of HK\$30 million to the Target Group and their fellow subsidiaries within the Group as general working capital for development of the Forests upon Completion. The Working Capital Facility is unsecured, interest-free and has a term of 70 years (which approximates the duration of the exclusive exploitation rights obtained by the Group for the First and Second Forests and by Crops & Land Development for the Third Forest).

THE SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every five issued and unissued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05. The Share Consolidation is conditional on the passing of an ordinary resolution by the Shareholders by way of a poll at the SGM and the Stock Exchange having granted the listing of, and the permission to deal in the Consolidated Shares and any new Consolidated Shares which may fall to be issued pursuant to the exercise of the Company's options or other securities convertible into Shares.

INCREASE IN THE AUTHORISED SHARE CAPITAL

In order to facilitate the issue of the Consideration Shares and the Conversion Shares under the Acquisition Agreement as well as the potential fund-raising activities in the future, the Company proposes to increase its authorised share capital from HK\$50,000,000 divided into 5,000,000,000 Shares to HK\$200,000,000 divided into 20,000,000,000 Shares (or 4,000,000,000 Consolidated Shares). The increase in authorised share capital is subject to the passing of an ordinary resolution by the Shareholders by way of a poll at the SGM.

SPECIFIC MANDATE TO ISSUE NEW SHARES

As at the date of this announcement, no new Shares have been issued under the General Mandate since the date of its granting and balance of the General Mandate amounted to 533,400,000 Shares. As the aggregate number of the Consideration Shares and the Conversion Shares to be issued pursuant to the Acquisition Agreement will exceed the balance of the General Mandate, the issue and allotment of the Consideration Shares and the Conversion Shares will be made under the Specific Mandate and the General Mandate will not be utilised.

IMPLICATION OF THE GEM LISTING RULES

The Acquisition Agreement

Since the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are greater than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and, accordingly, the transactions contemplated under the Acquisition Agreement (including the issue and allotment of the Consideration Shares and the Conversion Shares under the Specific Mandate, and the issue of the Convertible Bonds) are subject to Shareholders' approval at the SGM.

SGM

The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, amongst other things, the transactions contemplated under the Acquisition Agreement (including the issue and allotment of the Consideration Shares and the Conversion Shares under the Specific Mandate, and the issue of the Convertible Bonds), the Share Consolidation and the proposed increase in the authorised share capital of the Company, by way of a poll. Since no Shareholders have a material interest in any of such resolutions, no Shareholders will be required to abstain from voting at the SGM.

GENERAL

A circular containing, among other things, further details regarding (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Share Consolidation; and (iii) the proposed increase in the authorised share capital of the Company; together with (i) an accountants' report on the Target Group; (ii) the unaudited pro-forma financial information on the Enlarged Group; (iii) a valuation report on the Third Forest; (iv) a notice convening the SGM; and (v) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable and no later than 31 August 2010.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 22 July 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 July 2010.

THE ACQUISITION AGREEMENT

Date

22 July 2010

Parties to the Acquisition Agreement

- (i) Forest Glen, a wholly-owned subsidiary of the Company, as the purchaser;
- (ii) the Vendors, as the vendors; and
- (iii) the Company, as the guarantor of Forest Glen's obligation under the Acquisition Agreement.

The Vendors are Independent Third Parties and own the entire issued share capital of the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Group has not had any prior transactions with the Vendors, each of their ultimate beneficial owners and/or their respective associates during the previous 12 months which are required to be aggregated with the Acquisition under Rule 19.22 of the GEM Listing Rules.

Conditions precedent to the Completion

Completion is subject to the following conditions being fulfilled or waived (as the case may be):

- (i) Forest Glen having been satisfied with the results of a due diligence review of the Target Group (including, but not limited to, the Target Group having obtained all the necessary licences and approval to conduct its forest exploitation business);
- (ii) legal opinions, in form and substance satisfactory to Forest Glen, to be issued by a firm of lawyers nominated by Forest Glen in such jurisdiction (including Cambodia) and covering such matters relating to the ownership and business of the Target Group as may be required by the Forest Glen having been obtained pursuant to the Acquisition Agreement;

- (iii) the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares and the Conversion Shares;
- (iv) all other approvals, consents and acts required (including the GEM Listing Rules) having been obtained and completed;
- (v) the board of Directors having approved and authorised, among other things, the allotment and issue of the Consideration Shares and the Convertible Bonds to the Vendors;
- (vi) the passing of the ordinary resolution(s) by the Shareholders at the SGM for the approval of the transactions contemplated under the Acquisition Agreement, including, but not limited to, the allotment and issue of the Consideration Shares and Conversion Shares under the Specific Mandate, the issue of the Convertible Bonds, the proposed increase in the authorised share capital of the Company;
- (vii) all necessary consents and approvals required having been obtained on the part of the Vendors and the Group in respect of the Acquisition Agreement and the transactions contemplated thereunder;
- (viii) none of the warranties given by the Vendors under the Acquisition Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (ix) the Group having obtained a valuation report showing that the fair value of the Third Forest shall not be less than HK\$1,300 million; and
- (x) completion of the Reorganisation in a manner satisfactory to the Group.

Although conditions (i) and (ii) are waivable by the Group, it is the intention of the Group to complete the due diligence as required under condition numbered (i) and receive the legal opinions under condition numbered (ii) before proceeding to Completion. The Group will exercise such rights of waiver only if the irregularities, if any, found from its due diligence exercise and the legal opinions relating to the Target Group do not have any material adverse impact on the operation, business and financial conditions of the Target Group (hence the Enlarged Group). As such, the Directors consider that by granting such rights of waiver to the Group, the Group will have the flexibility to continue to proceed to Completion if insignificant deviations are identified in the Target Group so as to avoid the Acquisition being called off due to such insignificant deviations.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions numbered (i), (ii) and (viii) only) by the Group on or before 12:00 noon on 31 December 2010, the obligations of the parties to the Acquisition Agreement shall cease and neither party to the Acquisition Agreement shall have any claims under the Acquisition Agreement against the others of them save in respect of any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on any day falling within five business days after all conditions of the Acquisition Agreement have been fulfilled or waived or such later date as may be agreed amongst the parties to the Acquisition Agreement.

Upon Completion, each of the Target Company and Crops & Land Development will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

Consideration

The Consideration, which represents a discount of approximately 75% to the low end of the initial valuation range of the Third Forest of HK\$1,300 to HK\$1,700 million as estimated by the Vendors, was determined after arm's length commercial negotiations between the Company and the Vendors and having regards to the prospects and potential synergy amongst the Forests in which the interest of the Vendors and the Group will be in line with each other following Completion. The Consideration will be satisfied as to (i) HK\$47,930,873 by the issue of the Consideration Shares at the Issue Price; and (ii) HK\$282,069,127 by the issue of the Convertible Bonds. However, as at the date of this announcement, the valuation (including the methodology) of the Third Forest has not been determined but will be stated in the valuation report to be contained in the Company's circular to be issued in compliance with the GEM Listing Rules. In the event the valuation method adopted in valuing the Third Forest falls into the meaning of "profit forecast" under Rule 19.61 of the GEM Listing Rules, the Company will comply with the relevant disclosure and reporting requirements under the GEM Listing Rules.

Given that (i) the Consideration represents a substantial discount of approximately 75% to the minimum valuation of the Third Forest of HK\$1,300 million which is required as a condition precedent under the Acquisition Agreement; (ii) the synergy to be achieved amongst the Forests; (iii) the additional forest land and the timber reserves to be obtained by the Group; and, most importantly, (iv) the granting of the Working Capital Facility (as detailed below) by the Vendors and thus the opportunity for the Group to revive its forest business in Cambodia, the Directors (including the independent non-executive Directors) considered the terms of the Acquisition Agreement (including the Consideration) are fair and reasonable and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

As at the date of this announcement, the Company has a total of 2,667,000,000 Shares (or 533,400,000 Consolidated Shares if the Share Consolidation becomes effective prior to Completion) in issue. The Consideration Shares represent (i) approximately 40.85% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 10.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming the exercise of the conversion rights attaching to the Convertible Bonds in full). The Consideration Shares will be allotted and issued upon Completion under the Specific Mandate and will rank pari passu in all respects with all other Shares in issue on the date of their issue, including as to the right to any dividend or distribution on or after the date of their issue.

The Issue Price of HK\$0.044 per Consideration Share (or HK\$0.22 if the Share Consolidation becomes effective prior to Completion) is determined after arm's length negotiation among Forest Glen, the Company and the Vendors and represents:

- (i) a discount of approximately 21.4 % to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on 21 July 2010, the last trading day prior to the release of this announcement; and

- (ii) a discount of approximately 22.8% to the average of the closing prices of HK\$0.057 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 21 July 2010.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Convertible Bonds

Pursuant to the Acquisition Agreement, the Company will issue the Convertible Bonds in the principal amount of HK\$282,069,127 upon Completion. Set out below are the principal terms of the Convertible Bonds:

Principal amount	:	HK\$282,069,127
Maturity date	:	The date falling on the fifth anniversary of the issue date of the Convertible Bonds (or if that is not a business day, the first business day thereafter)
Interest rate	:	Nil
Conversion right	:	Holder of the Convertible Bonds will have the right to convert the Convertible Bonds, in whole or in part (in the amount or integral multiple of HK\$1 million) into the Conversion Shares, credited as fully paid and provided that no conversion right may be exercised if such exercise (i) triggers a mandatory offer obligation under Rule 26 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") on the part of the holder of the Convertible Bonds which exercised the conversion rights attaching to the Convertible Bonds, such that holder of the Convertible Bonds and parties acting in concert with it, when taken together, will be interested in 30% or more of the then issued share capital of the Company or such other percentage that will trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code or otherwise pursuant to other provisions of the Takeovers Code; or (ii) results in the public float of the Shares being less than 25% of the issued Shares at any one time in compliance with the GEM Listing Rules.
Conversion Price	:	HK\$0.044 per Conversion Share (or HK\$0.22 if the Share Consolidation becomes effective prior to Completion), which is the same as the Issue Price of the Consideration Share, subject to the adjustment provision as contained in the instrument constituting the Convertible Bonds.
Ranking of the Conversion Shares	:	The Conversion Shares will rank pari passu in all respects with the Shares (or the Consolidated Shares) in issue on the date of their allotment and issue and shall entitle the holders to participate in all dividends or other distributions on or after the date of their allotment and issue.

- Redemption rights : The instrument constituting the Convertible Bonds contains an events of default provision which provides that holders of the Convertible Bonds may give notice to the Company such that the Convertible Bonds will immediately become due and repayable at their principal amount in the occurrence of certain events of default specified therein.
- Redemption on maturity : The Company shall redeem the Convertible Bonds which remains outstanding on the maturity date at its principal amount. Save as aforesaid, the Company does not have the right to redeem the Convertible Bonds prior to its maturity date.
- Ranking of the Convertible Bonds : The Convertible Bonds shall at all times rank pari passu without any preference among themselves and at least equally with all its other present and future unsecured and unsubordinated obligations.
- Transferability : Subject to all applicable laws and regulations and prior notification to the Company, the Convertible Bonds may be assigned or transferred in whole or in part (in the amount or integral multiple of HK\$1 million) to any person who is not a connected person of the Company (except of the wholly-owned subsidiaries or holding companies of the Vendors).
- The Company and the Directors will notify the Stock Exchange any dealings by the connected persons of the Company in the Convertible Bonds from time to time immediately upon the Company becoming aware of it.
- Voting : Holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.

The Conversion Shares

As at the date of this announcement, there are 2,667,000,000 Shares in issue, assuming the conversion rights attached to the Convertible Bonds are exercised in full, the Conversion Shares represent:

- (i) approximately 240.37% of the existing issued share capital of the Company; and
- (ii) approximately 63.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

The Conversion Shares will, upon exercise (if so exercised) of the conversion rights attached to the Convertible Bonds, be allotted and issued pursuant to the Specific Mandate.

LISTING APPLICATION

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares, the Consideration Shares and the Conversion Shares.

No application will be made by the Company for the listing of the Convertible Bonds on any stock exchanges.

THE WORKING CAPITAL FACILITY

Upon Completion, the Vendors will provide the Working Capital Facility of HK\$30 million to the Target Group and their fellow subsidiaries within the Group as general working capital for the future development of the Forests upon Completion. The Working Capital Facility is unsecured, interest-free and has a term of 70 years (which approximates the duration of the exclusive exploitation rights obtained by the Group for the First and the Second Forests and by Crops & Land Development for the Third Forest). In order to ensure that the Group can effectively utilise such facility for development of its forestry and plantation business, the Vendors shall have no rights to demand early repayment of or additional security for the Working Capital Facility in any event.

INFORMATION ON THE TARGET COMPANY, CROPS & LAND DEVELOPMENT AND THE THIRD FOREST

The Target Company is an investment company incorporated in the British Virgin Islands in July 2010 and its entire issued share capital is owned by the Vendors. After Completion, the Target Company (hence Crops & Land Development) will become an indirect wholly-owned subsidiary of the Company. Since the Target Company is a newly incorporated company, it has not carried out any significant operations since its establishment up to the date of this announcement and thus has not recorded any revenue and has only incurred immaterial administrative expenses.

Crops & Land Development is a company incorporated in Cambodia with limited liability. It has been granted the 70-year exclusive exploitation right in respect of the Third Forest by the Cambodian government since 2008. According to its unaudited financial statements, Crops & Land Development did not record any revenue for each of the two years ended 31 December 2009 and recorded an insignificant net loss before and after tax of approximately HK\$0.20 million for the year ended 31 December 2008 and a net loss before and after tax of approximately HK\$1.83 million for the year ended 31 December 2009. As at 30 June 2010, the net asset value of Crops & Land Development amounted to approximately HK\$5.57 million.

The Third Forest, which has a total site and plantation area of approximately 11,500 hectares (equivalent to approximately 115 million sq.m.) and 7,200 hectares (equivalent to approximately 72 million sq.m), respectively, is located in Kratie District, Kratie Province, Cambodia and is close to the First and Second Forests.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the forestry and plantation business in Cambodia.

In early 2009, in light of the global financial turmoil (and the economic recession) and the difficulty for the Group to obtain financing in the market, the Directors had conducted a review of the Group's business portfolio and concluded to focus the Group's financial and management resources on its forestry and plantation business in Cambodia, which they considered the Group would have competitive edges by owning the forest resources, especially having obtained the relevant permits for the domestic and export sale of wood products from the Cambodian government at that time, as compared to the increasingly competitive medical and pharmaceutical market. As such, the Group has gradually disposed of all of its medical and pharmaceutical business in 2009 and 2010, which had resulted in the forestry and plantation business having become the Group's only principal business.

However, the business performance of the Group's forestry and plantation business has been unsatisfactory and, as disclosed in the Company's annual report for the year ended 31 December 2009, the Group suffered a substantial downturn in business and financial performance with turnover having been decreased by approximately 99% from the previous year and turned from a net profit of approximately HK\$71.00 million to a net loss of approximately HK\$49.76 million during the same periods because the revenue derived from the sale of wood products amounted to only approximately HK\$0.34 million during the year ended 31 December 2009. Such situation has not been much improved this year and the revenue derived from the sale of wood products amounted to only approximately HK\$0.13 million for the three months ended 31 March 2010.

The Directors attributed such poor performance of the Group's forestry and plantation business mainly to (i) a delay in the export of wood products from Cambodia in 2009 (which has since been rectified) caused by the increase in administrative procedures for export of timber products as the Cambodian government was trying to crack down on the illegal timber trade (such government actions, in the long run, are indeed positive to entities (such as the Group) which have been granted the legal rights to be engaged in the business); and, most importantly, (ii) the Group's lack of funding for capital expenditures and working capital because the forestry and plantation business is of capital intensive nature.

The Group has only one sawn timber factory located in the First Forest which (i) has an actual annual capacity of only 6,000 cubic meters and is far from sufficient to utilise the abundant natural resources owned by the Group at a meaningful pace; and (ii) does not have the capability of manufacturing wood flooring materials (which command higher margins) for the Group to generate meaningful operating profit. To tackle with such problems, the Group has successfully negotiated with a sub-contractor to set up a wood flooring material factory next to the Group's sawn timber factory to process the logs into wood flooring materials for the Group on an out-sourcing basis. However, as disclosed in the Company's quarterly report for the three months ended 31 March 2010, such plan was scrapped due to such sub-contractor running into financial difficulty. In April 2010, the Company conducted an open offer and raised net proceeds of approximately HK\$14.61 million. However, such net proceeds were not enough for the Group to bring its forestry and plantation business to a self-sustainable level.

The Group plans to set up a wood flooring material factory with an annual capacity of at least 10,000 cubic metres and has paid deposits for certain equipment which has long delivery cycles. However, additional capital is required to (i) complete the construction of the plants and purchase the remaining production equipment; (ii) finance the working capital required for the production

and the sales cycles; and pay for the field planting of rubber seedlings in early 2011 in accordance with the business development plan agreed with and endorsed by the Cambodian government. The Company has evaluated a number of alternatives (including debt and equity financing) in an effort to raise the necessary funds, but none of such plan has been fruitful as at the date of the Acquisition Agreement due to the Group's poor business and financial performance and the drop in Share price of nearly 40% since the said open offer.

Timber and rubber are two of the most common raw materials being applied in a wide range of industries and the selling prices of which have been on an overall upward trend in recent years due to their scarcity and increasing market demand, particularly in the PRC, which is currently one of the major consumers for both timber and rubber. According to International Tropical Timber Organization, approximately 138.5 million cubic meters and 166.7 million cubic meters of timber were produced and consumed in the PRC in 2008, respectively, representing a shortfall of approximately 28.2 million cubic meters despite the global financial turmoil taken place that year. In addition, the rubber market is also experiencing a shortage in supply as a result of the strong appetite for natural resources. According to the China Rubber Industry Association, the PRC, primarily fueled by the development of highway construction and transportation industry, consumed about 16% of the world's natural rubber and is expected to consume 6.4 million tons of rubber in 2010, representing an increase of approximately 8.5%. Given the above, coupled with the gradual recovery of the world's economy, the Directors are confident in the future prospects of its forestry and plantation business in Cambodia and are of the view that, given its abundant forest resources and timber reserves, the operation and financial performance of the Group's forestry and plantation business can be greatly improved and achieve certain level of economy of scale if it has sufficient capital to equip itself with the necessary production facilities to enhance its production capacity and production capability (and hence its profitability) and working capital to finance the production and the sales cycles.

Forest land and timber reserve are the life-blood of the Group's forestry and plantation business. The Group owns the First and Second Forests with a total site area of approximately 19,500 hectares and estimated timber reserves of over 5 million cubic metres, and has obtained the relevant permits for the domestic and export sale of wood products from the Cambodian government in 2009. The Acquisition represents a good investment opportunity for the Group to obtain additional forest land and timber reserve. As a result of the Acquisition, the Group will own three forests in Cambodia and the total site area of the Group's forest land will be increased by nearly 60% to approximately 31,000 hectares. Based on a preliminary estimation of the Directors, the additional funding from the Working Capital Facility of HK\$30 million will be sufficient for the Group to implement its forestry and plantation business development plan, including equipping itself with the necessary production facilities (as mentioned above, setting up a wood flooring material factory with an annual capacity of at least 10,000 cubic metres) to enhance its production capacity and production capability to achieve certain level of economy of scale and providing working capital to finance the production and the sales cycles, so as to enable such business to operate at a profitable level. Furthermore, due to the close geographic proximity between the Third Forest and the First and Second Forests, the Directors expect that the Acquisition will create significant synergy for the Group's forestry and plantation business in Cambodia resulting from (i) the economy of scale for the Group's wood logging facilities and more efficient utilisation of the production capacity of its manufacturing facilities; (ii) the formulation of a more efficient and systematic transportation for the timber logged and processed from the Forests; and (iii) a more effective and efficient planning of the future rubber plantation (hence the subsequent latex production). Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

THE SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every five issued and unissued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05. The Share Consolidation is conditional on the passing of an ordinary resolution by the Shareholders by way of a poll at the SGM and the Stock Exchange having granted the listing of, and the permission to deal in the Consolidated Shares and any new Consolidated Shares which may fall to be issued pursuant to the exercise of the Company's options or other securities convertible into Shares.

Other than the relevant expenses, including professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or result in any change in the rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

The Consolidated Shares shall rank pari passu in all respects with each other.

Share Structure of the Company before and after the Share Consolidation

The following table sets out the effect on the share capital structure before and immediately after the Share Consolidation:

	Before Share Consolidation	After Share Consolidation
Nominal value per share	HK\$0.01	HK\$0.05
Authorized share capital	HK\$50,000,000	HK\$50,000,000
Number of authorized shares	5,000,000,000 Shares	1,000,000,000 Consolidated Shares
Issued share capital	HK\$26,670,000	HK\$26,670,000
Number of issued shares	2,667,000,000 Shares	533,400,000 Consolidated Shares
Unissued share capital	HK\$23,330,000	HK\$23,330,000
Number of unissued shares	2,333,000,000 Shares	466,600,000 Consolidated Shares

Board Lot Size

There will be no change in board lot size as a result of the Share Consolidation.

Odd Lot Arrangements and Fractional Consolidated Shares

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders, but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots of the Consolidated Shares, a security broker will be appointed by the Company to provide a matching service, on a “best effort” basis, to those Shareholders who wish to acquire or dispose of their holding of odd lots of Consolidated Shares. Details of such arrangement (including the contacts details of the designated security broker and the relevant timing for the provision of such service) will be set out in the circular in relation to, among other things, the Share Consolidation to be despatched to the Shareholders.

Exchange of Share Certificates

Should the Share Consolidation become effective, Shareholders may, during the period from 17 September to 1 November 2010, submit existing certificates for the Shares in green colour to the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for exchange, at the expense of the Company, for new share certificates in green colour for the Consolidated Shares. It is expected that the new certificates for the Consolidated Shares will be available for collection within 10 business days after the submission of the existing share certificates to the share registrar of the Company for exchange. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for Consolidated Shares, and existing certificates for the Shares will cease to be good for delivery, trading and settlement purposes but will continue to be good evidence of legal title and may be exchanged for certificates for the Consolidated Shares at any time at the expense of the Shareholders.

Reasons for the Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. In view of the recent trading price of the Shares and for compliance with the GEM Listing Rules, the Company proposes to implement the Share Consolidation. It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price of the Consolidated Shares. Accordingly, the Directors consider that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Expected Timetable

The expected timetable of the proposed Share Consolidation is as follows:

	<i>2010</i>
Despatch date of circular.	Tuesday, 31 August
Latest time for lodging forms of proxy for the SGM.	10:00 a.m. on Tuesday, 14 September
SGM	10:00 a.m. on Thursday, 16 September
Effective date of the Share Consolidation	Friday, 17 September
Dealings in the Consolidated Shares commences	9:30 a.m. on Friday, 17 September

Original counter for trading in existing Shares in board
lots of 10,000 Shares closes 9:30 a.m. on Friday, 17 September

Temporary counter for trading in the Consolidated Shares in
board lots of 2,000 Consolidated Shares
(in the form of existing share certificates) opens 9:30 a.m. on Friday, 17 September

First day of free exchange of existing share certificates for
new share certificates for the Consolidated Shares Friday, 17 September

Original counter for trading in the Consolidated Shares in
board lots of 10,000 Consolidated Shares
(in the form of new share certificates) re-opens. 9:30 a.m. on Tuesday, 5 October

Designated broker starts to stand in the market to provide
matching services for odd lots of the Consolidated Shares 9:30 a.m. on Tuesday, 5 October

Parallel trading in the Consolidated Shares (in the form of
new share certificates and existing share certificates)
commences 9:30 a.m. on Tuesday, 5 October

Designated broker ceases to stand in the market to provide
matching services for odd lots of the Consolidated Shares 4:00 p.m. on Monday, 25 October

Temporary counter for trading in Consolidated Shares in
board lots of 2,000 Consolidated Shares
(in the form of existing share certificates) ends 4:00 p.m. on Monday, 25 October

Parallel trading in Consolidated Shares (in the form of
new share certificates and existing share certificates) ends 4:00 p.m. on Monday, 25 October

Last day for free exchange of existing share certificates
for new share certificates for the Consolidated Shares. Monday, 1 November

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Shares Consolidation but before issue of the Consideration Shares and the Conversion Shares; (iii) immediately after the Share Consolidation and issue of the Consideration Shares but before the exercise of the conversion rights attached to the Convertible Bonds; and (iv) immediately after the Share Consolidation, the issue of the Consideration Shares and the exercise of the conversion rights attaching to the Convertible Bonds in full (for illustration purposes only):

	As at the date of this announcement		Immediately after the Share Consolidation of every 5 existing Shares into 1 Consolidated Shares		Immediately after the Share Consolidation and the issue of the Consideration Shares but before the exercise of the conversion rights attached to the Convertible Bonds		Immediately after the Share Consolidation, the issue of Consideration Shares and the exercise of the conversion rights attaching to the Convertible Bonds in full			
	Number of Shares	%	Number of Shares	%	Number of Shares	%	(Note 1) Number of Shares		(Note 2) Number of Shares	
Li Wo Hing and his associates	304,794,267	11.43%	60,958,853	11.43%	60,958,853	8.11%*	60,958,853	3.00%*	60,958,853	3.07%*
Zhang Zhenzhong	183,497,143	6.88%	36,699,429	6.88%	36,699,429	4.89%	36,699,429	1.80%	36,699,429	1.85%
Public	2,178,708,590	81.69%	435,741,718	81.69%	435,741,718	58.00%*	435,741,718	21.43%*	435,741,718	21.93%*
The Vendors and the parties acting in concert with any of them	-	-	-	-	217,867,605	29.00%	1,500,000,000	73.77%	1,453,402,286	73.15%
	<u>2,667,000,000</u>	<u>100%</u>	<u>533,400,000</u>	<u>100%</u>	<u>751,267,605</u>	<u>100%</u>	<u>2,033,400,000</u>	<u>100%</u>	<u>1,986,802,286</u>	<u>100%</u>

* public float

Note 1: Since the Convertible Bonds cannot be converted into Shares/Consolidated Shares if the holder of the Convertible Bonds and its parties acting in concert will be holding not less than 30% of the entire issued Shares or such other percentage as it will trigger off general offer obligations on the part of the holder of the Convertible Bonds under the Takeovers Code. The figures shown in this column is for illustration purposes only.

Note 2: The figures shown in this column illustrate the shareholding structure of the Company assuming that the minimum public float of 25% is maintained pursuant to the GEM Listing Rules.

INCREASE IN THE AUTHORISED SHARE CAPITAL

In order to facilitate the issue of the Consideration Shares and the Conversion Shares under the Acquisition Agreement as well as the potential fund-raising activities in the future, the Company proposes to increase its authorised share capital from HK\$50,000,000 divided into 5,000,000,000 Shares to HK\$200,000,000 divided into 20,000,000,000 Shares (or 4,000,000,000 Consolidated Shares). The increase in the authorised share capital of the Company is subject to the passing of an ordinary resolution by the Shareholders by way of a poll at the SGM.

SPECIFIC MANDATE TO ISSUE NEW SHARES

As at the date of this announcement, no new Shares have been issued under the General Mandate since the date of its granting and balance of the General Mandate amounted to 533,400,000 Shares. As the aggregate number of the Consideration Shares and the Conversion Shares to be issued pursuant to the Acquisition Agreement will exceed the balance of the General Mandate, the allotment and issue of the Consideration Shares and the Conversion Shares will be made under the Specific Mandate and the General Mandate will not be utilised.

FUND-RAISING IN THE PAST 12 MONTHS

The Company completed an open offer of two offer shares for five existing shares held on hand at a price of HK\$0.02 per Share in April 2010, which raised net proceeds of approximately HK\$14.61 million and was applied as the general working capital of the Group and for payment of operating costs.

Save for disclosed above, the Company has not conducted any fund raising activities in the past 12 months.

IMPLICATION OF THE GEM LISTING RULES

The Acquisition Agreement

Since the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are greater than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and, accordingly, the transactions contemplated under the Acquisition Agreement (including the issue and allotment of the Consideration Shares and the Conversion Shares under the Specific Mandate, and the issue of the Convertible Bonds) are subject to Shareholders' approval at the SGM.

SGM

The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, among other things, the transactions contemplated under the Acquisition Agreement (including the issue and allotment of the Consideration Shares and the Conversion Shares under the Specific Mandate, and the issue of the Convertible Bonds), the Share Consolidation and the proposed increase in the authorised share capital of the Company, by way of a poll. Since no Shareholders have a material interest in any of such resolutions, no Shareholders will be required to abstain from voting at the SGM.

GENERAL

A circular containing, among other things, further details regarding (i) the Acquisition Agreement and the transaction contemplated thereunder; (ii) the Share Consolidation; and (iii) the proposed increase in the authorised share capital of the Company; together with (i) an accountants' report on the Target Group; (ii) the unaudited pro-forma financial information on the Enlarged Group; (iii) a valuation report on the Third Forest; (iv) a notice convening the SGM; and (v) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders. As it may take about 30 days to prepare the relevant information (such as the relevant financial information and the valuation report), the circular will be despatched to the Shareholders as soon as practicable and no later than 31 August 2010.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 22 July 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 30 July 2010.

DEFINITIONS

“Acquisition”	the purchase of the Sales Shares and the Sale Loan by Forest Glen from the Vendors under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 22 July 2010 in relation to the Acquisition
“Associate”	shall have the same meaning as is in the GEM Listing Rules
“Cambodia”	Kingdom of Cambodia
“Company”	China Asean Resources Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Acquisition Agreement in accordance with the terms thereof
“Consideration”	the consideration of HK\$330,000,000 for the Acquisition
“Consideration Shares”	1,089,338,022 new Shares (or 217,867,605 new Consolidated Shares if the Share Consolidation becomes effective before Completion) to be issued by the Company at the Issue Price
“Consolidated Share(s)”	Shares of HK\$0.05 each in the issued and unissued share capital of the Company after the Share Consolidation becoming effective
“Conversion Price”	the initial conversion price of HK\$0.044 per Conversion Share (or HK\$0.22 per Conversion Share if the Share Consolidation becomes effective prior to Completion)
“Conversion Shares”	up to 6,410,661,977 new Shares (or 1,282,132,395 new Consolidated Shares if the Share Consolidation becomes effective prior to Completion) to be issued upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the zero-coupon convertible bonds due 2015 in the principal amount of HK\$282,069,127 to be issued by the Company, which entitle the holder(s) thereof to convert the principal amount outstanding into the Conversion Shares at the then Conversion Price

“Crops & Land Development”	Crops & Land Development (Cambodia) Co., Ltd., a company incorporated in Cambodia with limited liability and an Independent Third Party
“Directors”	directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“First Forest”	the first forest owned by the Company with a site area of 9,965 hectares located in Kratie District, Kratie Province, Cambodia
“Forest Glen”	Forest Glen Group Limited, a wholly-owned subsidiary of the Company, incorporated with limited liability in the British Virgin Islands
“Forests”	the First Forest, the Second Forest and the Third Forest
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the existing general mandate of the Company granted by the Shareholders to authorise the Directors to allot and issue up to 533,400,000 Shares pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 May 2010
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s)
“Issue Price”	HK\$0.044 per Share (or HK\$0.22 per Consolidated Share if the Share Consolidation becomes effective before Completion), being the issue price of the Consideration Shares
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Reorganisation”	the reorganisation such that the Target Company (or its wholly-owned subsidiary) will beneficially own the entire issued share capital of Crops & Land Development
“Sale Loan”	all of the shareholders’ loan due from the Target Group to the Vendors as at Completion

“Sale Shares”	all of the issued shares of the Target Company, representing the entire issued share capital of the Target Company
“Second Forest”	the second forest owned by the Company with a site area of 9,555 hectares located in Kratie District, Kratie Province, Cambodia and adjacent to the First Forest
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other matters, if thought fit, the Acquisition Agreement (including the issue and allotment of the Consideration Shares and the Conversion Shares under the Specific Mandate, and the issue of the Convertible Bonds), the Share Consolidation and the proposed increase in the authorised share capital of the Company
“Share(s)”	Share(s) of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of the Shares on the basis that every five issued and unissued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05
“Shareholders”	holders of the Shares or the Consolidated Shares (as the case may be)
“Specific Mandate”	a specific mandate proposed to be granted to the Directors in relation to the allotment and issue of the Consideration Shares and the Conversion Shares by the Shareholders at the SGM
“Target Company”	Richking Development Limited, a company incorporated with limited liability in the British Virgin Islands and an Independent Third Party
“Target Group”	the Target Company and its subsidiaries after completion of the Reorganisation
“Third Forest”	the forest with a site area of 11,500 hectares located in Kratie District, Kratie Province, Cambodia and close to the First Forest and the Second Forest
“Vendors”	United Sky Investments Limited and Jethero International Limited, both of which are investment holding companies incorporated in the British Virgin Islands with limited liability and Independent Third Parties
“Working Capital Facility”	the loan of HK\$30 million, which is unsecured, interest-free and has a term of 70 years, provided by the Vendors to the Target Group and their fellow subsidiaries within the Group for development of the Forests

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“sq. m” square metres

By Order of the Board
China Asean Resources Limited
Leung Sze Yuan, Alan
Chairman

Hong Kong, 29 July 2010

As at the date of this announcement, the board of Directors of the Company comprises two executive directors, namely, Mr. Leung Sze Yuan, Alan and Mr. Zhang Zhenzhong; two non-executive directors, namely Mr. Li Nga Kuk, James and Mr. Li Tai To, Titus; and three independent non-executive directors, namely Mr. Fan Wan Tat, Mr. Tam Wai Leung, Joseph and Mr. Chan Kim Chung, Daniel.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the GEM website at “<http://www.hkgem.com>” for seven days after the date of the publication and will be published on the website of the Company “<http://www.chinaaseanresources.com>”.