CHINA ASEAN RESOURCES LIMITED
神州東盟資源有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8186)

(i) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL OF A COAL SOURCING AND DISTRIBUTION COMPANY (ii) SPECIFIC MANDATE TO ISSUE NEW SHARES; AND (iii) RESUMPTION OF TRADING

THE ACQUISITION AGREEMENT

The Company is pleased to announce that on 9 July 2011, the Acquisition Agreement was entered into among the Company, the Purchaser, the Guarantor and the Vendor, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire 50% of the issued share capital of the Target Company at the Consideration of HK$650,000,000, which will be satisfied as to HK$170,000,000 by the issue of the Consideration Shares at the Issue Price and as to the remaining HK$480,000,000 by the issue of the Promissory Notes. Upon completion of the Acquisition Agreement, the Target Company will be accounted for as a jointly controlled entity of the Company.

IMPLICATION OF THE GEM LISTING RULES

Since the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are greater than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and, accordingly, the transactions contemplated under the Acquisition Agreement (including the issue of the Promissory Notes and the allotment and issue of the Consideration Shares) are subject to, among others, the approval of the Shareholders at the SGM.

SGM

The SGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders for, among other things, the Acquisition Agreement (including the issue of the Promissory Notes and the allotment and issue of the Consideration Shares) by way of a poll. Since to the best of the knowledge, information and belief of the directors of the Company, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement, no Shareholder will be required to abstain from voting at the SGM.

GENERAL

A circular containing, among other things, further details regarding the Acquisition Agreement and the transactions contemplated thereunder together with (i) an accountants' report on the Target Company; (ii) the unaudited pro-forma financial information on the Group as enlarged by the Acquisition; (iii) a notice convening the SGM; and (iv) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:00 a.m. on 2 June 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the issued Shares with effect from 9:00 a.m. on 11 July 2011.

THE ACQUISITION AGREEMENT

Date

9 July 2011

Parties to the Acquisition Agreement

(i) the Company;

(ii) the Purchaser, a wholly owned subsidiary of the Company, as the purchaser;

(iii) the Guarantor as the guarantor for the performance by the Vendor of its obligations under the Acquisition Agreement; and

(iv) the Vendor, as the vendor

The Vendor is a company incorporated in the British Virgin Islands and principally engaged in investment holdings and owns the entire issued share capital of the Target Company and is indirectly owned as to 33% and 67% by the Guarantor and Mr. Ruan Xiao Feng, respectively, who have substantial experience in trading business (including coal) in the PRC (as detailed below). To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquires, each of the Vendor, the Guarantor, and their ultimate beneficial owners and/or their respective associates are third parties independent of and not connected with the directors, chief executive or substantial Shareholders or any of its subsidiaries or any of their respective associates under the GEM Listing Rules.

Conditions precedent to the completion of the Acquisition

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

(i) the Purchaser having been satisfied with the results of a due diligence review on the Target Company;

(ii) all necessary consents, licences and approvals required to be obtained on part of the Vendor in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

(iii) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Promissory Notes and the allotment and issue of the Consideration Shares) having been obtained;

(iv) the passing of an ordinary resolution by the Shareholders at the SGM for the approval of the transactions contemplated under the Acquisition Agreement, including, but not limited to, the issue of the Promissory Notes and the allotment and issue of the Consideration Shares and other consents and acts required under the GEM Listing Rules having been obtained and completed, or waived as the case may be;

(v) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate in all material respects; and

(vi) the GEM Listing Committee having granted the listing of and permission to deal in the Consideration Shares.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions numbered (i), (ii) and (v) only) by the Purchaser on or before 4:00 p.m. on 31 December 2011 (or such other date as the parties thereto may agree), the obligations of the parties to the Acquisition Agreement shall cease and no party shall have any claim under the Acquisition Agreement against any of the other parties save in respect of any antecedent breaches of the Acquisition Agreement.

Major Transaction

The Company originally anticipated to acquire 100% (instead of 50%) interests in the Target Company which would constitute a very substantial acquisition on the part of the Company and accordingly published the suspension announcement on 1 June 2011 mentioning that the Acquisition would be a very substantial acquisition. After further arm's length negotiations with the Vendor and also taking into consideration of various factors, including the sharing of the risks in association with the Target Company, the Company subsequently agreed with the Vendor to acquire 50% interests in the Target Company. Upon completion of the Acquisition of 50% interests in the Target Company, the Vendor will continue to hold 50% interests in the Target Company. This will reduce the potential risks on the part of the Company to run the Target Company as a wholly owned subsidiary. In addition, the equity interests in the Target Company held by the Vendor will serve as incentive for the Vendor to perform beyond the 2012 Guaranteed Profit and the 2013 Guaranteed Profit. Accordingly, the Company considered that it will not be necessary to provide an earn-out consideration as originally anticipated as incentive for the above purpose.

Completion

Completion of the Acquisition shall take place on any day falling within five business days after all the conditions as set out above have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon completion of the Acquisition, the board of the Target Company will comprise 4 directors (each of the Vendor and the Group will be entitled to nominate two directors to the board of the Target Company) and the Target Company will be accounted for as a jointly controlled entity of the Company using proportionate consolidation. Accordingly, 50% of the financial results, assets and liabilities of the Target Company will be consolidated in the consolidated financial statements of the Group. As at the date of this announcement, neither the Company nor the Vendor has any intention to change the board composition or management of the Company upon the completion of the Acquisition Agreement. The terms of the Acquisition Agreement does not confer any rights on the Vendor to appoint individual(s) as director(s) of the Company. Furthermore, the directors of the Company confirm that the Company has not entered into any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing business and that it is the intention of the Company to carry on its existing natural resources business.

Consideration

The Consideration of HK$650,000,000 will be satisfied as to (i) HK$170,000,000 by the issue of the Consideration Shares at the Issue Price of HK$0.425 and (ii) the remaining HK$480,000,000 by the issue of the Promissory Notes.

The Consideration was determined after arm's length negotiation between the Group and the Vendor with reference to, among other things, (i) the 2012 Guaranteed Profit and the 2013 Guaranteed Profit (as defined below) and (ii) the positive prospects of the Target Company in benefiting from the strong demand of coal in the PRC. Having considered (i) the opportunity of the Group to further expand its coal related business in the PRC; (ii) the growing demand of coal in the PRC; and (iii) the 2012 Guaranteed Profit and the 2013 Guaranteed Profit provided by the Vendor and the relevant compensation mechanism (as detailed below), the directors of the Company (including its independent non-executive directors) consider that 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 its Shareholders as a whole.

Profit Warranty and Adjustment Mechanism on Consideration

For many businesses, the ability to successfully establish sales networks is one of the most critical success factors and helps provide certainty to the future continuing success of the businesses; however, it is not easy and can take enormous time and costs to develop, especially to start up the initial scale of a sales network. Coal, which is widely used in a variety of industries in the PRC, is under constant demand by the users once the initial purchases are made. In other words, the demand scale will likely grow only greater from the initial order scale. Therefore, the directors of the Company consider that once the Group's relationship with its customers has been established, such relationship will not be easily terminated particularly because of the Target Company's secured source of coal supply. Accordingly, the Group, in order to motivate the Vendor to accelerate the development pace of the Target Company's business scale and sales network (as measured by the amount of profit contribution to the Group) at an earlier stage following completion of the Acquisition, has successfully negotiated the following profit warranty and adjustment mechanism on the Consideration to motivate the Vendor in achieving the guaranteed profit as soon as possible after the completion of the Acquisition.

Profit warranty and early fullfilment of profit warranty

The Vendor has warranted that the audited profit after tax of the Target Company based on Hong Kong Financial Reporting Standards ("HKFRS") for each of the year ending 31 December 2012 (the "2012 Actual Profit") and 31 December 2013 (the "2013 Actual Profit") shall be no less than HK$80 million (the "2012 Guaranteed Profit") and HK$150 million (the "2013 Guaranteed Profit"), respectively, which were determined based on the coal supply contracts and sales contracts of the Target Company and the prospects of the coal industry of the PRC.

If the audited profit after tax of the Target Company under HKFRS at any time during the year ending 31 December 2012 exceeds the 2012 Guaranteed Profit or the audited profit after tax of the Target Company under HKFRS at any time during the year ending 31 December 2013 exceeds the 2013 Guaranteed Profit, the 2012 Guaranteed Profit or the 2013 Guaranteed Profit (as the case may be) will be deemed having been fulfilled, respectively.

In addition, if the audited profit after tax of the Target Company under HKFRS at any time during the period from 1 January 2012 to 31 December 2013 exceeds HK$230 million (i.e. the aggregate of the 2012 Guaranteed Profit and the 2013 Guaranteed Profit), the 2012 Guaranteed Profit and the 2013 Guaranteed Profit will be deemed having been fulfilled.

Based on a preliminary estimation by the Vendor with reference to, among other things, the current market price of coal, the relevant taxes, the transportation costs and other related costs, fulfillment of the 2012 Guaranteed Profit and the 2013 Guaranteed Profit will require the sale of less than 1 million and approximately 1.5 million tonnes of coal for each of the years ending 31 December 2012 and 2013, respectively.

Adjustment mechanism on the Consideration

In the event that the Target Company fails to achieve the 2012 Guaranteed Profit or the 2013 Guaranteed Profit, the Purchaser is entitled to receive a maximum compensation (the "Compensation") of HK$650 million, being:

(a) 8.125 times (being the ratio between the Consideration and the 2012 Guaranteed Profit) of 50% of the shortfall between the 2012 Guaranteed Profit and the 2012 Actual Profit, subject to a cap of HK$325 million, which may be satisfied by the Vendor by way of either (i) cash payment to the Purchaser; (ii) cancelling part or all of the outstanding amount of the Promissory Notes; or (iii) a combination of the above;

(b) 4.33 times (being the ratio between the Consideration and the 2013 Guaranteed profit) of 50% of the shortfall between the 2013 Guaranteed Profit and the 2013 Actual Profit, subject to a cap of HK$325 million, which may be satisfied by the Vendor by way of either (i) cash payment to the Purchaser; (ii) cancelling part or all of the outstanding amount of the Promissory Notes; or (iii) a combination of the above. The impositions of the Compensation in respect of the 2013 Guaranteed Profit are to ensure a meaningful growth to be achieved by the Target Company during the second financial year following the completion of the Acquisition further to the business scale of the Target Company established in 2012; and

(c) in the event that the Target Company records an audited loss for the year ending 31 December 2012 and 31 December 2013, the Purchaser will be entitled to a maximum amount of Compensation of HK$325 million and HK$325 million, respectively.

However, there may be extreme circumstances that the 2012 Guaranteed Profit and/or the 2013 Guaranteed Profit is/are deemed having fulfilled, whilst the 2012 Actual Profit and/or the 2013 Actual Profit fail(s) to achieve the 2012 Guaranteed Profit and/or the 2013 Guaranteed Profit, respectively. In such circumstances, the Purchaser may not receive any Compensation. The directors of the Company, after taking into account (i) the long term increasing demand of coal in the PRC and the Target Company's secured sources of coal supply; (ii) that the deemed fulfillment of the 2012 Guarnteed Profit and/or the 2013 Guaranteed Profit by the Target Company, if occurred, would have represented the achievement of a business scale/customers network which cannot be easily terminated or diminish over time (particularly the Target Company will become a jointly controlled entity of the Company and the existing management of the Company will be involved in the management of the Target Company throughout the course of its business development following completion of the Acquisition); (iii) the early release of the Vendor's obligations for the 2012 Guaranteed Profit and/or the 2013 Guaranteed Profit due to the deemed fulfillment of the 2012 Guaranteed Profit and/or the 2013 Guaranteed Profit by the Target Company represents a means to encourage the speeding up of the development of the business scale and customer network of the Target Company; and (iv) the profit warranty and compensation mechanism under the Acquisition Agreement have, as a whole, provided a mechanism to safeguard the Group's interest in the Target Company in respect of its future financial performance and at the same time, will motivate the Vendor to accelerate the development pace of the Target Company following the completion of the Acquisition, rather than a punitive measure which may potentially harm the cooperative relationship between the Vendor and the Group (especially the Vendor will remain its 50% equity interest in the Target Company and become a substantial Shareholder after completion of the Acquisition Agreement and its interest in the business expansion scale of the both the Group and the Target Company will be the same as all other Shareholders), considered that the overall profit warranty and compensation mechanism is fair and reasonable and is in the interests of the Company and its shareholders as a whole. Nevertheless, the Shareholders are advised to take into consideration of the potential occurrence of such extreme circumstances which may lead to the non-payment of the Compensation.

The Consideration Shares

As at the date of this announcement, the Company has a total of 2,108,261,816 Shares in issue. Assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares, the 400,000,000 Consideration Shares represent (i) approximately 18.97% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.95% of the issued share capital of the Company as enlarged by the Consideration Shares. The Consideration Shares 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.

An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the allotment and issue of the Consideration Shares.

The Issue Price of HK$0.425 per Consideration Share is determined after arm's length negotiations between the Company and the Vendor and represents:

(i) a discount of approximately 1.2% over the closing price of HK$0.43 per Share as quoted on the Stock Exchange on 1 June 2011, the last trading day prior to the release of this announcement (the "Last Trading Day"); and

(ii) a premium of approximately 11.0% and 17.4% over the average of the closing prices of HK$0.383 and HK$0.362 per Share as quoted on the Stock Exchange for the last 5 and 10 trading days up to and including the Last Trading Day, respectively.

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

The Vendor has undertaken to the Company that it shall not sell or transfer any of the Consideration Shares during the period (the "Lock-up Period") from the date of completion of the Acquisition to the date when the Vendor has fulfilled its obligations as detailed in the paragraph headed "Profit Warranty and Adjustment Mechanism on the Consideration" above (save for the sales or transfer of the Consideration Shares is for the purpose of payment of the Compensation).

The Promissory Notes

Pursuant to the Acquisition Agreement, the Company will issue the Promissory Notes in the total principal amount of HK$480 million upon completion of the Acquisition. Set out below are the principal terms of the Promissory Notes:

Issuer:	the Company
Principal amount:	HK$480 million to be issued to the Vendor and/or its nominee(s) upon completion of the Acquisition
Maturity Date:	the date falling three years from the date of issue of the Promissory Notes (the "Maturity Date"). The Company may also at its sole discretion to extend the Maturity Date of the Promissory Notes for three additional years i.e. in total six years from the date of the Promissory Notes (the "Extended Maturity Date")

Interest:	For the three-years period ending on the Maturity Date, the interest on the Promissory Note shall be calculated at the rate per annum equivalent to one year Hong Kong Interbank Offered Rate as quoted on the date of the Acquisition Agreement and for the period immediately after the Maturity Date to the Extended Maturity Date, interest shall be calculated at the rate per annum equivalent to the Hong Kong dollars prime rate of the Hongkong and Shanghai Banking Corporation Limited as quoted on the Maturity Date Interest shall accrue daily on a 365 days basis from the date of issue of the Promissory Notes and is payable in arrears on each six-month period after the date of the Promissory Note
Redemption:	the Company shall repay the principal amount of the Promissory Notes and all outstanding interest accrued thereon under the Promissory Notes to the holders of the Promissory Note on the Maturity Date or the Extended Maturity Date (as the case may be) The Company may repay any part of the principal amount of the Promissory Notes together with any outstanding interest accrued thereon at any time from the date of issue to the date immediately prior to the Maturity Date or the Extended Maturity Date (as the case may be) The holder(s) of the Promissory Notes shall not have the right to request the Company for early redemption of the Promissory Notes (save for payment of the Compensation as detailed in the above)
Transferability:	The Promissory Notes are not transferrable unless with the prior written consent of the Company.
Listing:	The Promissory Notes will not be listed on the Stock Exchange or any other stock exchange

LISTING APPLICATION

Application will be made by the Company to the GEM Listing for the listing of, and permission to deal in, the Consideration Shares.

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

INFORMATION OF THE TARGET COMPANY

Business of the Target Company

The Target Company is a company newly incorporated in the British Virgin Islands with limited liability in March 2011 and its entire issued share capital is owned by the Vendor. As at the date of this announcement, the Target Company has not carried out any significant business but will be engaged in the business of sourcing and distribution of coal in the PRC, which primarily involves the sourcing of coal from coal suppliers and the subsequent sales of the coal to the coal consumers (such as power plants and metallurgical companies). As described below, given the geographical disparity between the coal suppliers and coal consumers as well as the different types of coal required by different coal consumers, coal traders like the Target Company become the distributors of coal for the sales of its coal to the various coal consumers scattered across the country. In addition, given the scarcity of coal, the ability to maintain a stable source of quality coal supply will determine the bargaining power (hence the profit margin earned) of a coal trader like the Target Company. As advised by the Vendor, the Target Company has entered into (i) a legally binding coal supply agreement with a coal mining company incorporated in Mongolia (the "Mongolia Mining Company"), whereby it will supply coal to the Target Company for a term of 20 years at a fixed price (subject to adjustment for every three years in accordance with the Mongolian Consumer Price Index and exchange rate changes between United States dollars and the Mongolian currency) with at least 1 million tonnes of coal from 2012 and each of the subsequent years until the end of the aforesaid 20-year term; (ii) a legally binding coal supply agreement with a mining company located in the Inner Mongolia Autonomous Region, the PRC, for a term of five years (renewable automatically unless prior notice is given by either party) such that the Target Company will be supplied with no less than 2.3 million tonnes of coal during the first three-year period at a fixed price (subject to annual adjustment in accordance with the PRC Consumer Price Index) and (iii) a legally binding coal supply agreement with a coal mining company located in Sichuan Province, the PRC, for an initial term of three years (renewable automatically unless prior notice is given by either party) such that the Target Company will be supplied with no less than 1 million tonnes of coal during the first two-year period at a fixed price (subject to annual adjustment in accordance with the PRC Consumer Price Index) and (iv) a letter of intent with an Indonesian coal mining company such that at least 1 million tonnes of coal will be supplied to the Target Company per annum at a fixed price (subject to quarterly adjustment) for a two-year period. As advised by the Vendor, the Target Company is also in the process of negotiating with a number of coal mining companies in Mongolia, the PRC and Indonesia for coal supply.

As at the date of this announcement, the Target Company has entered into legally binding sales agreements (automatically renewable on an annual basis unless prior notice is given by either party to the respective agreements) with coal wholesaling and metallurgical companies in Zhejiang Province, Shanghai and Tianjin City, the PRC, pursuant to which they agreed to purchase an aggregate of over 5 million tonnes of coal for the year ending 31 December 2012. In the event that there are any breaches of the terms of the coal supply contract(s)/sales agreement(s) by the counterparties, the Target Company can make claims against the counterparties by way of applying to the relevant court(s) or arbitration for compensation of the damages caused. In addition, the Target Company has started receiving sales orders from its customers. As a market practice, coal sales contracts/agreements are entered into annually. As such, the Company considers that the automatic renewal clauses in the respective agreements are sufficient to protect the future performance of the Target Company. More importantly, coal, as a commodity, is not customer specific and the Target Company is on the process of and will continue to expand its clientele. As mentioned above, since it is estimated that sale of less than 1 million and approximately 1.5 million tonnes of coal is sufficient to enable the Target Company to meet the 2012 Guaranteed Profit and the 2013 Guaranteed Profit, the Vendor considered that the existing sales and supply arrangement are sufficient for the Target Company to achieve the 2012 Guaranteed Profit and the 2013 Guaranteed Profit.

The Target Company recorded an unaudited loss of approximately HK$8,900 since the date of its incorporation up to 30 April 2011 and net liabilities of approximately HK$8,900 as at 30 April 2011.

Management of the Target Company

The Target Company has a team of experienced staff who possess substantial knowledge in the coal industry and have maintained extensive business network in Mongolia and the PRC:

Mr. Zhou Guo Fei, the Guarantor, the co-founder and the general manager of the Target Company, has over 10 years of experience in managing companies engaged in commodity trading (including coal) in the PRC and maintains extensive sales network in Southeast Asia, Europe and the PRC. As the general manager of the Target Company and the Guarantor under the Acquisition Agreement, Mr. Zhou will be responsible for overseeing and formulating the development of the Target Company.

Mr. Ruan Xiao Feng, the co-founder and the president of the Target Company, has over 10 years of experience in managing companies engaged in coal trading in the PRC (including the Inner Mongolia Autonomous Region) and maintains extensive business network in the PRC and Mongolia. Mr. Ruan has procured a number of coal sales agreements for the Target Company and, as the president of the Target Company, Mr. Ruan is responsible for the sales management and formulating the sales strategies for the Target Company.

Mr. Song Jin Yu, the PRC purchase director of the Target Company responsible for the sourcing of coal in the PRC, has more than 40 years experience in the exploration and surveying of coal mines in the PRC. Prior to joining the Target Company, Mr. Song had been the supervisory engineer of Qinghai Jin Xin Engineering Supervision Co., Ltd, and the chief geological engineer of Beijing Gong Lai Bao Investment Company Limited. Mr. Sung has also participated in the publication of the design and geology reports on more than 20 geological projects as well as the preparation of the coal reserve reports in the PRC. Mr. Song holds a university diploma in coal geology from Xi'an University of Science and Technology (formerly known as Xi'an Mining Institute), the PRC.

Mr. Ts. Davaadelger, the Mongolian purchase director of the Target Company responsible for the sourcing of coal in Mongolia, has over 15 years of experience in the mining industry of Mongolia. Prior to joining the Target Company, Mr. Davaadelger had served in managerial positions at a number of mining companies in Mongolia, including the chief of supplies section of Sharyn Gol JSC, a coal mining company listed on the Mongolian Stock Exchange, the exploration engineer of Green Engine Co., a gold mining company, the chief of automation technology division of IH Mongol Mining Company, a company specialising in gold extraction, and the chief mine operator of Chingisin Har Alt, a mining company. Mr. Davaadelger holds a bachelor's degree in engineering from Inner Mongolia University of Science & Technology, the PRC.

Mr. Ma Jun Qian, the PRC sales director of the Target Company, has years of experience in the coal trading business and has established solid business connections with a number of power and metallurgical companies in the PRC. Mr. Ma holds a bachelor's degree in communication from the Ecole Polythecnique Federale De Lausanne, Switzerland.

In addition to the above personnel who will remain as staff of the Target Company following completion of the Acquisition, Mr. Gong Ting, an executive director of the Company, who is an entrepreneur with diversified business interests including agricultural and natural resources as well as extensive business network in the PRC and Mongolia; Mr. Chultemsuren Gankhuyag, another executive director of the Company, who is the awardee of the "Model Geologist Medal" and the "Glory Medal for Modeled Labour" in Mongolia and has substantial work experience in natural resources business including forestry and mine exploration in Europe and Mongolia (including chief geologist, coal expert and researcher at coal mining companies and coal-related research institutes); Mr. Sun Zhen, the co-chief executive officer of the Company, who was the former chief executive officer of Beijing Poly-Longma Asset Management Co., Ltd. ("Poly Longma"), a subsidiary of a group member of China Poly Group Corporation, a PRC conglomerate engaged in a number of businesses including mining, will also be involved in the management and business development of the Target Company after the completion of the Acquisition. Leveraging on the substantial business network and experience of the Group's senior management in the coal industry in the PRC and Mongolia, it is expected that they will manage and further expand the Group's coal related business in the future.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the natural resources business. It holds economic land concessions on approximately 31,000 hectares of forest land in the Kingdom of Cambodia with timber reserve of approximately 7 million cubic metres. As disclosed in the Company's annual report for the year ended 31 December 2010, in view of the low level of revenue of approximately HK$0.34 million and HK$2.96 million as well as the continuous loss incurred by the Group of approximately HK$49.8 million and HK$33.9 million for the year ended 31 December 2009 and 2010, respectively, the Group intended to apply the net proceeds obtained from the placing of new Shares completed in January 2011 in the area of natural resources business to diversify its income stream to improve its operating results. Under the circumstances, the Company has strategically entered into the strategic investment agreement with Poly Longma to identify investment opportunities in mineral projects and acquire Inner Mongolia Huayue Mining Company Limited ("Inner Mongolia Mining") to establish the Group's foothold in the coal and mineral industry in the PRC as disclosed in the Company's announcements dated 23 and 28 January 2011, respectively.

Coal is one of the most abundant fossil fuels worldwide and has a variety of uses including electricity generation (one of the major fuel for power generation), coke production for steel making and cement manufacture. According to the BP Statistical Review of World Energy 2010, the PRC is both the largest producer and the largest consumer of coal in the world, producing 1.6 billion tones of coal and consuming 1.5 billion tones of coal in 2009. However, coal resources and production in the PRC are primarily located in the western and northern regions. With the demand for coal in the PRC concentrating in the prosperous coastal regions, the PRC's coal trading industry has become an important bridge connecting the geographical disparity between the coal producers and coal consumers in the PRC, and has expanded significantly in recent years. However, due to the involvement of complicated logistics, such as the loading and storage of coal, the coordination amongst different transportation means (such as truck, railway and/or waterway), for the transportation of coal, coal transportation cost is one of the major cost concerns of many coal trading companies in the PRC. Foreseeing such opportunity, the Company, as mentioned above, acquires Inner Mongolia Mining, a company engaged in the provision of coal related logistics services including storage, processing and transportation in the PRC. The vertical integration of the Group's coal logistics business and the coal sourcing and distribution business of the Target Company will enable the Group to provide one-stop coal supply chain management for coal consumers, all of which will, as a whole, enhance the Group's competitive advantages over other industry players to capture the growth opportunities in the coal industry in the PRC.

According to "Eleventh Five-Year Plan for Structural Adjustment and Reasonable Arrangement for Coal Operating Enterprises" promulgated by the National Development and Reform Commission in 2007, the PRC coal operators with relatively low annual operating volume will be eliminated gradually. As a result, coal consumption companies have increasingly relied on coal suppliers with abundant and stable coal supply. As such, the Target Company will have the opportunity to capture the market gap brought about by the close-down of coal suppliers and operators. In addition, following the recent nuclear plant crisis in Fukushima, Japan, and the environmental concerns of the PRC government about the hydropower plants, especially after the China Yangtze Three Gorges Project, coal-fired power plants are expected to continue to remain as a dominant power generation means in the foreseeable future and, therefore, it is expected that the Group will benefit from the Acquisition and thus the growing coal industry in the PRC.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Consideration Shares; and (iii) immediately after the issue of the Consideration Shares and the exercise of the conversion rights attaching to all of the outstanding convertible securities of the Company in full:

	As at the date of this announcement		**Immediately after the allotment and issue of the Consideration Shares**		**Immediately after the allotment and issue of Consideration Shares and the exercise of the conversion rights attaching to all of the outstanding convertible securities of the Company in full**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
The directors of the Company *(Note 1)*	517,068,972	24.53%	517,068,972	20.61%	517,068,972	20.36%
The Vendor	—	—	400,000,000	15.95%	400,000,000	15.75%
Ding Yin Fei	254,545,454	12.07%	254,545,454	10.15%	254,545,454	10.02%
Public	1,336,647,390	63.40%	1,336,647,390	53.29%	1,368,465,572	53.87%
	2,108,261,816	100.00%	2,508,261,816	100.00%	2,540,079,998	100.00%

Note 1: Those Shares comprise the Shares held by (i) existing directors of the Company, namely Mr. Gong Ting and Mr. Leung Sze Yuan, Alan; and (ii) three former directors of the Company namely, Mr. Zhang Zhenzhong, Mr. Li Tai To, Titus and Mr. Li Nga Kuk, James.

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 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and, accordingly, the transactions contemplated under the Acquisition Agreement (including the issue of the Promissory Notes and the allotment and issue of the Consideration Shares) are subject to the Company's shareholders' approval at the SGM.

SGM

The SGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders for, among other things, the transactions contemplated under the Acquisition Agreement (including but not limited to the issue of the Promissory Notes and the allotment and issue of the Consideration Shares) by way of a poll. Since to the best of the knowledge, information and belief of the directors of the Company, no Shareholders have a material interest in the transactions contemplated under the Acquisition Agreement, no Shareholders will be required to abstain from voting at the SGM.

GENERAL

A circular containing, among other things, further details regarding the Acquisition Agreement and the transactions contemplated thereunder together with (i) an accountants' report on the Target Company; (ii) the unaudited pro-forma financial information on the Group as enlarged by the Target Company; (iii) a notice convening the SGM; and (iv) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules. As time is required for the preparation of the relevant information to be contained in the circular, it is expected that the circular will be despatched on or before 15 August 2011.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:00 a.m. on 2 June 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the issued Shares with effect from 9:00 a.m. on 11 July 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition Agreement"	the agreement dated 9 July 2011 and entered into between the Company, the Purchaser, the Guarantor and the Vendor in relation to the Acquisition
"Acquisition"	the acquisition of 50% of the issued share capital of the Target Company by the Purchaser pursuant to the Acquisition Agreement
"associate(s)"	shall have the same meaning as is in the GEM Listing Rules

"Company"	China Asean Resources Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"connected person(s)"	shall have the same meaning as in the GEM Listing Rules
"Consideration"	the consideration of HK$650 million for the Acquisition, subject to adjustment mechanism as detailed in the paragraph headed "Profit Warranty and Adjustment Mechanism on the Consideration" in this announcement
"Consideration Shares"	400,000,000 new Shares to be issued by the Company at the Issue Price pursuant to the Acquisition Agreement to satisfy part of the Consideration
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Zhou Guo Fei
"Issue Price"	HK$0.425 per new Share
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Promissory Notes"	the promissory notes in the total principal amount of HK$480 million issued by the Company pursuant to the Acquisition Agreement
"Purchaser"	Famous Sky Corporation Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company

"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other matters, the transactions contemplated under the Acquisition Agreement (including the issue of Promissory Notes and the allotment and issue of the Consideration Shares), by way of poll
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Global Trade Enterprises Group Limited, a company incorporated with limited liability in the British Virgin Islands
"Vendor"	China Alliance Enterprises Investment Limited, a company incorporated in the British Virgin Islands with limited liability
"HK$"	Hong Kong dollar(s), the lawful currency of the Hong Kong Special Administrative Region of the PRC

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

Hong Kong, 10 July 2011

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Chultemsuren Gankhuyag, Mr. Gong Ting, Mr. Leung Sze Yuan, Alan, and Mr. Zeng Lingchen; and three independent non-executive directors, namely Mr. Tam Wai Leung, Joseph, Ms. Wen Huiying and Mr. Zhang Ying.

This announcement, for which the directors of the Company 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 of the Company, 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".