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**China Asean Resources Limited**  
**神州東盟資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

**CONNECTED TRANSACTION**  
**— ACQUISITION OF COAL LOGISTICS BUSINESS**

**THE ACQUISITION AGREEMENT**

The Company is pleased to announce that on 28 January 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Group will acquire and the Vendors will dispose of the entire registered capital of Inner Mongolia Mining at the Consideration of HK\$25,000,000 in cash. Inner Mongolian Mining is principally engaged in the provision of coal related logistics services (including storage, processing and transportation) in China. Completion of the Acquisition is subject to fulfillment or (if applicable) waiver of certain conditions precedent (as described hereinunder). Upon completion of the Acquisition Agreement, Inner Mongolia Mining will become a wholly-owned subsidiary of the Company.

As advised by the Vendors, Inner Mongolia Mining is in the final stage of negotiation in connection with a contract (the “Coal Services Contract”) for Inner Mongolia Mining’s provision of coal extraction and the related processing and transportation services to a Chinese state-owned integrated contractor (the “Contractor”) specializing in railway construction projects and a main contractor of various social construction projects including highways, building construction works, municipal civil works, water and hydroelectricity as well as tunnels and airport runways. As such, the Acquisition will enable the Group to expand its natural resources business to include coal related business and capture the growth opportunity of the coal industry in China. In addition, given that timber is one of the key raw materials used in a wide spectrum of construction projects, it is anticipated that the potential establishment of a business relationship with the Contractor will open up an opportunity to the Group’s forestry business to become a timber supplier to the various projects undertaken by the Contractor.

## **GEM LISTING RULES IMPLICATION**

By virtue of Mr. Gong Ting, a substantial Shareholder and a Director of the Company, being a shareholder (i.e. thus being one of the Vendors) and a director of Inner Mongolia Mining, the Acquisition will constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since all the percentage ratios (other than the profits ratio) in respect of the Acquisition are less than 5%, the Acquisition is only subject to the reporting and announcement requirements of the GEM Listing Rules and is exempt from the independent shareholders' approval requirement pursuant to GEM Listing Rule 20.32(1).

## **THE ACQUISITION AGREEMENT**

### **Date**

28 January 2011

### **Parties to the Acquisition Agreement**

- (i) the Purchaser, as the purchaser; and
- (ii) the Vendors, as the vendors;

Save for Mr. Gong Ting, who is a substantial shareholder and a director of the Company and also a shareholder (i.e. thus being one of the Vendors) and a director of Inner Mongolia Mining, all of the other shareholders of Inner Mongolia Mining are Independent Third Parties. Mr. Gong is the holder of 15% equity interest and the legal representative of Inner Mongolia Mining as at the date hereof.

### **Background of Inner Mongolia Mining**

Pursuant to the Acquisition Agreement, the Group will acquire and the Vendors will dispose of the entire registered share capital of Inner Mongolia Mining, a company incorporated in China with limited liability in June 2008 and principally engaged in the provision of coal related logistics services (including storage, processing and transportation) in China. Inner Mongolia Mining has obtained the necessary licenses from the Chinese government for operations of its coal related business. As at the date of this announcement, the registered capital of Inner Mongolia Mining amounted to RMB12.8 million, of which Mr. Gong Ting has paid RMB1.92 million for his 15% equity interest in Inner Mongolia Mining.

As advised by the Vendors, Inner Mongolia Mining is in the final stage of negotiation with the Contractor for the entering into of the Coal Services Contract for Inner Mongolia Mining's provision of coal extraction and the related processing and transportation services to the Contractor. The Contractor is a Chinese state-owned integrated contractor specializing in railway construction projects and is also the main contractor of various social construction projects including highways, building construction works, municipal civil works, water and hydroelectricity as well as tunnels and airport runways.

Based on the unaudited financial statements of Inner Mongolia Mining, Inner Mongolia Mining recorded (i) net loss before tax of approximately RMB4.15 million (equivalent to approximately HK\$4.90 million) and RMB1.25 million (equivalent to approximately HK\$1.48 million) for each of the year ended 31 December 2009 and 2010, respectively (ii) net loss after tax of approximately RMB4.15 (equivalent to approximately HK\$4.90 million) and RMB1.25 million (equivalent to approximately HK\$1.48 million) respectively; and (iii) net asset value of approximately RMB6.92 million as at 31 December 2010.

### **Condition Precedent**

Completion of the Acquisition Agreement 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 Inner Mongolia Mining;
- (ii) (if applicable) all other approvals, consents, permits and authorisations required having been obtained and validly subsisting (including but not limited to the obtaining of the relevant approvals from the relevant Chinese authorities regarding Inner Mongolia Mining being changed from a Chinese domestic company to a wholly-foreign owned enterprise);
- (iii) none of the warranties and obligations given by the Vendors under the Acquisition Agreement having been breached;
- (iv) the issue of a Chinese legal opinion by a firm of Chinese lawyers nominated by the Group covering matters relating to the compliance of the relevant laws for the transactions contemplated under the Acquisition Agreement; and
- (v) all necessary consents and approval required having been obtained on part of the Vendor and the Group in respect of the Acquisition Agreement and the transactions contemplated thereunder.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions numbered (i) and (iii) only) by the Group on or before 30 June 2011, 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 save in respect of any antecedent breaches of the Acquisition Agreement.

### **Completion**

Completion of the Acquisition Agreement shall take place on any day falling within five (5) business days after all the conditions of the Acquisition Agreement have been fulfilled or waived (as applicable) or such later date as may be agreed amongst the parties to the Acquisition Agreement.

Upon completion of the Acquisition Agreement, Inner Mongolia Mining will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

### **Profit Warranty and Adjustment Mechanism on Consideration**

Pursuant to the Acquisition Agreement, in case the Coal Services Contract is not executed before 31 March 2011, the Vendors have warranted that for the year ending 31 December 2011, the audited net profit after tax and extraordinary items of Inner Mongolia Mining under the accounting standards of China will not be less than HK\$5 million (the “Guaranteed Profit”). If the actual audited profit after tax and extraordinary items (the “Actual Net Profit”) under the accounting standards of China falls less than the Guaranteed Profit, the Company is entitled to a cash compensation (the “Cash Compensation”), being five times the shortfall between the Actual Net Profit and the Guaranteed Profit and will be payable 30 days by the Vendors after the issue of the relevant audited report of Inner Mongolia Mining. However, in any event, the Cash Compensation shall be capped at HK\$15,000,000 (including the case when Inner Mongolia Mining incurred net loss for the year ending 30 December 2011).

However, if the Actual Net Profit exceeds HK\$10 million, an additional incentive payment of HK\$5 million will be made by the Group to the Vendors.

### **The Consideration**

The cash Consideration is HK\$25,000,000, of which a refundable deposit of HK\$15,000,000 shall be payable to the Vendors upon the signing of the Acquisition Agreement, and the remaining balance of HK\$10,000,000 shall be payable to the Vendors upon completion of the Acquisition Agreement. If completion of the Acquisition Agreement cannot take place on or before 30 June 2011 (or such later day as agreed between the parties to the Acquisition Agreement), the above-mentioned deposit will be refunded to the Company in full within 3 business days thereafter.

It is expected that the Consideration will be financed by the internal resources of the Group.

The Consideration was determined after arm's length negotiation between the Group and the Vendors with reference to, among other things, the Guaranteed Profit, the possibility of the entering into of the Coal Services Contract and the business prospects of Inner Mongolia Mining. Having considered (i) the opportunity of the Group to expand its natural resources business to the coal related business; (ii) the potential synergy to be realized through establishment of business relationship with the Contractor (as detailed below); and (iii) the above-mentioned compensation mechanism, 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.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the natural resources business and holds a 70-year economic land concessions measuring to 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 announcement dated 29 December 2009 and 23 January 2011, in view of the continuous loss incurred by the Group for the year ended 31 December 2009 and the nine months ended 30 September 2010 of approximately HK\$47.76 million and HK\$10.86 million, respectively, the Group has been actively seeking appropriate investment opportunities and intended to apply the proceeds obtained from its placing of new shares completed in early January 2011 in the area of natural resources business to broaden its income stream to improve its operating results.

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 other industrial uses such as cement manufacture. Leveraged on the growing coal price in China as a result of China's continuous economic growth (the unit price of anthracite, coking coal and bituminous coal increased by approximately 23%, 11% and 12% from December 2009 to December 2010 according to the National Bureau of Statistics of China), the directors of the Company expect that the Acquisition will benefit the Group in capturing the growth opportunity in China's coal industry and positively contribute to its financial and business performance.

In addition, given that timber is one of the key raw materials used in a wide spectrum of construction projects and the Contractor is the principal contractors of a number of large scale domestic and overseas construction projects, it is anticipated that the potential establishment of a business relationship with the Contractor will open up an opportunity to the Group's forestry business to become a timber supplier to the various projects undertaken by the Contractor.

## **GEM LISTING RULES IMPLICATION**

By virtue of Mr. Gong Ting, a substantial shareholder and a director of the Company, being a shareholder (i.e. thus being one of the Vendors) and director of Inner Mongolia Mining, the Acquisition will constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since all the percentage ratios (other than the profits ratio) in respect of the Acquisition are less than 5%, the Acquisition is only subject to the reporting and announcement requirements of the GEM Listing Rules and is exempt from the independent shareholders' approval requirement pursuant to GEM Listing Rule 20.32(1).

Save for Mr. Gong Ting, no directors of the Company have a material interest in the Acquisition. All the Directors (except for Mr. Gong) have not abstained from voting to approve the Acquisition and the related matters at the relevant board meeting of the Company.

## **TERMS AND DEFINITION**

“Acquisition”	the acquisition of the entire registered capital of Inner Mongolia Mining by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 28 January 2011 entered into between the Company and the Vendors relating to the acquisition of the entire registered capital of Inner Mongolia Mining by the Company
“China”	the People’s Republic of China (for the purpose of this announcement, excluding The Hong Kong Special Administrative Region, The Macau Special Administrative Region and Taiwan)
“Company”	China Asean Resources Limited, a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited
“Consideration”	the cash consideration of HK\$25,000,000 for the Acquisition (which can be adjusted)
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries

“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) who, to the best of the knowledge of the Company’s directors, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s)
“Inner Mongolia Mining”	內蒙古華越礦業有限公司 (Inner Mongolia Huayue Mining Company Limited*), a company with limited liability incorporated in China
“Purchaser”	Mega Ascent Corporation Limited, a company with limited liability incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Vendors”	the individual shareholders of the Inner Mongolian Mining, and each of them is a merchant
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of China
“RMB”	Renminbi, the lawful currency of China
“sq.m.”	square metres

*All amounts in RMB have been translated in HK\$ at the rate of RMB1.00 = HK\$1.18 in the announcement for illustration purpose only.*

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

Hong Kong, 28 January 2011

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Chultemsuren Gankhuyag, Mr. Gong Ting, Mr. Leung Sze Yuan, Alan and Mr. Zhang Zhenzhong and Mr. Zeng Lingchen; and four independent non-executive Directors, namely Mr. Chan Kim Chung, Daniel, Mr. Tam Wai Leung, Joseph, Ms. Wen Huiying and Mr. Zhang Ying.*

*This announcement, for which the Director 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, have 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 in 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 publication and on the website of the Company at <http://www.chinaaseanresources.com>.*

*\* for identification purpose only*