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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Asean Resources Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**(1) PROPOSED GRANT OF GENERAL MANDATES  
TO ALLOT AND ISSUE NEW SHARES  
AND  
REPURCHASE BY THE COMPANY OF ITS OWN SHARES;  
(2) PROPOSED RE-ELECTION OF DIRECTORS;  
(3) ADOPTION OF THE NEW SHARE OPTION SCHEME  
AND  
TERMINATION OF THE EXISTING SHARE OPTION SCHEME;  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of China Asean Resources Limited (the “Company”) to be held at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 10 June 2011 at 10:00 a.m. is set out on pages 31 to 36 of this circular. A form of proxy for use at the annual general meeting is enclosed with this circular.

Whether or not you are able to attend the annual general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

*This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication.*

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be convened and held at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong, on 10 June 2011 at 10:00 a.m. to consider and, if thought fit, approve, among other things, the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate, the proposed re-election of Directors, the proposed adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme
“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors from time to time
“Bye-laws”	the bye-laws of the Company
“Business Day(s)”	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays, Sundays and public holidays)
“Company”	China Asean Resources Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company from time to time
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company on 14 December 2001
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution granting of such general mandate by the Shareholders
“Group”	the Company and all of its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 April 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“New Share Option Scheme”	the new share option scheme which is proposed to be adopted by the Company at the AGM, the principal terms of which are set out in Appendix III to this circular
“Option(s)”	option(s) granted or to be granted to Participant(s) to subscribe for Share(s) under the Existing Share Option Scheme or, after its termination, under the New Share Option Scheme
“Participant(s)”	person(s) who or which is or are eligible to participate as grantee(s) in and receive Option(s) under the share option scheme of the Company, which will be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries
“PRC”	the People’s Republic of China
“Registrar”	the branch registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Ltd. at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong

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## DEFINITIONS

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“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to exercise the power of the Company to repurchase up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution granting of such repurchase mandate by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**CHINA ASEAN RESOURCES LIMITED**

**神州東盟資源有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

*Executive Directors:*

Mr. Chultemsuren Grankhuyag

Mr. Gong Ting

Mr. Leung Sze Yuan, Alan

Mr. Zeng Lingchen

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Independent non-executive Directors:*

Mr. Chan Kim Chung, Daniel

Mr. Tam Wai Leung, Joseph

Ms. Wen Huiying

Mr. Zhang Ying

*Head office and principal place of  
business in Hong Kong:*

8th Floor

Teda Building

87 Wing Lok Street

Hong Kong

27 April 2011

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED GRANT OF GENERAL MANDATES  
TO ALLOT AND ISSUE NEW SHARES**

**AND**

**REPURCHASE BY THE COMPANY OF ITS OWN SHARES;**

**(2) PROPOSED RE-ELECTION OF DIRECTORS;**

**(3) ADOPTION OF THE NEW SHARE OPTION SCHEME**

**AND**

**TERMINATION OF THE EXISTING SHARE OPTION SCHEME;**

**AND**

**(4) NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

At the forthcoming AGM, resolutions will be proposed to seek the Shareholders' approval for, among other things, (i) the granting of the General Mandate (including the extended

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## LETTER FROM THE BOARD

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General Mandate) and the Repurchase Mandate to the Directors; (ii) the re-election of Directors; and (iii) the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme.

The purpose of this circular is to provide you with information relating to the resolutions to be proposed at the AGM for the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate, the re-election of Directors, the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme and the notice of the AGM.

### **GENERAL MANDATE AND REPURCHASE MANDATE**

At the AGM, the Directors propose to seek the approval of the Shareholders to grant to the Directors the General Mandate (including the extended General Mandate) and the Repurchase Mandate.

#### **General Mandate**

At the AGM, an ordinary resolution will be proposed such that the Directors be given an unconditional general mandate (i.e. the General Mandate) to allot, issue and deal with unissued Shares or underlying Shares (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Bye-laws) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate amount of up to 20% of the issued Shares as at the date of granting of the General Mandate.

In addition, a separate ordinary resolution will further be proposed for extending the General Mandate authorising the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate. Details on the Repurchase Mandate are further elaborated below.

As at the Latest Practicable Date, the Company has an aggregate of 1,570,534,544 Shares in issue. Subject to the passing of the resolutions for the approval of the General Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the General Mandate to allot, issue and deal with a maximum of 314,106,908 Shares.

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## LETTER FROM THE BOARD

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### **Repurchase Mandate**

At the AGM, an ordinary resolution will also be proposed such that the Directors be given an unconditional general mandate to repurchase Shares (i.e. the Repurchase Mandate) on the Stock Exchange of an aggregate amount of up to 10% of the issued Shares as at the date of granting of the Repurchase Mandate.

Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 157,053,454 Shares.

The General Mandate (including the extended General Mandate) and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate (including the extended General Mandate) and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws and any applicable laws of Bermuda to be held; or (iii) the revocation or variation of the General Mandate (including the extended General Mandate) or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

An explanatory statement in connection with the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the requisite information required under the GEM Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

### **RE-ELECTION OF DIRECTORS**

According to Bye-law 102(B), any Director appointed to fill a casual vacancy on the Board shall hold office until the annual general meeting of the Shareholders after his appointment and be subject to re-election at such meeting.

In accordance with Bye-law 102(B), Mr. Chultemsuren Gankhuyang, Mr. Gong Ting, Mr. Zeng Lingchen, Ms. Wen Huiying and Mr. Zhang Ying shall retire from office at the AGM. Being eligible for re-election, each of Mr. Chultemsuren Gankhuyang, Mr. Gong Ting, Mr. Zeng Lingchen, Ms. Wen Huiying and Mr. Zhang Ying will offer himself/herself for re-election as an executive/independent non-executive Director (as the case may be).

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## LETTER FROM THE BOARD

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Pursuant to Bye-law 99, Mr. Chan Kim Chung, Daniel shall retire from office by rotation at the AGM and he will not offer himself for re-election as Director due to his personal engagements. Mr. Chan Kim Chung, Daniel shall resign as a member of the audit committee of the Company after his retirement at the AGM.

Each of the Board and Mr. Chan Kim Chung, Daniel has confirmed that there is no claims whatsoever against each of them for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise and there are no disagreement with one another and there are no matters relating to their retirements that need to be brought to the attention of the Shareholders or the Stock Exchange.

At the AGM, ordinary resolutions will be proposed to re-elect each of Mr. Chultemsuren Gankhuyang, Mr. Gong Ting, Mr. Zeng Lingchen, Ms. Wen Huiying and Mr. Zhang Ying as an executive/independent non-executive Director (as the case may be). Ms. Wen Huiying will be appointed as a member of the audit committee of the Company after her re-election at the AGM.

Pursuant to Rule 17.46A of the GEM Listing Rules, the details of the retiring Directors who are proposed to be re-elected at the AGM are set out in Appendix II to this circular.

### **PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

In order to provide incentives to Participants for their performance and to help the Group to retain Participants and recruit new employees, the Board proposes to adopt the New Share Option Scheme for the Company and to terminate the Existing Share Option Scheme (without prejudice to the rights and benefits of and attached to all those Option(s), if any, granted under the Existing Share Option Scheme which are outstanding) subject to the approval of the Shareholders.

The total issued share capital of the Company as at the Latest Practicable Date is HK\$78,526,727 divided into 1,570,534,544 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date to the date of the adoption of the New Share Option Scheme, the number of Shares which may fall to be allotted and issued upon exercise in full of New Share Option Scheme would be 157,053,454, representing approximately 10% of the Shares in issue as at the Latest Practicable Date, which is within the overall limit of 30% prescribed under Rule 23.03(3) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### **Existing Share Option Scheme**

The Existing Share Option Scheme was adopted by the Company on 14 December 2001 under which the Directors may at their discretion grant options to employees (whether under full-time or part-time employment) and non-executive directors of the Group to subscribe for Shares in the Company subject to the terms and conditions stipulated in the Existing Share Option Scheme.

As at the Latest Practicable Date, 24,257,142 Options granted under the Existing Share Option Scheme entitling the holders thereof to subscribe for 24,257,142 Shares are outstanding. The proposed termination of the Existing Share Option Scheme will not affect the rights of the 24,257,142 outstanding Options granted under the Existing Share Option Scheme and the 24,257,142 outstanding Options granted under the Existing Share Option Scheme will continue to be valid and effective.

### **Termination of the Existing Share Option Scheme**

Under the terms of the Existing Share Option Scheme, the Company may at any time by ordinary resolution in general meeting terminate the operation of the Existing Share Option Scheme. It is proposed that the Existing Share Option Scheme is to be terminated upon adoption of the New Share Option Scheme subject to the approval of the Shareholders.

Upon termination of the Existing Share Option Scheme, no further Options can be offered thereunder but the provisions of the Existing Share Option Scheme shall remain in all other respects in full force and effect in respect of any Options granted prior to such termination but not yet exercised at the time of termination. The Directors confirm that prior to the AGM, no options will be granted under the Existing Share Option Scheme.

### **New Share Option Scheme**

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognize and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

The rules of the New Share Option Scheme provide that the Company may specify the Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining

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## LETTER FROM THE BOARD

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the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Participant to acquire proprietary interests in the Company.

Subject to the approval of the New Share Option Scheme by the Shareholders, a resolution will be proposed at the AGM for the Board to grant options under the New Share Option Scheme and any other schemes for the subscription of not more than 10% of the entire issued capital of the Company (excluding, for this purpose, Options which have lapsed in accordance with the terms any other share option scheme of the Group) as at the date of the passing of the relevant resolution.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirement under Chapter 23 of the GEM Listing Rules.

### **Conditions**

The proposed adoption of the New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (b) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in the AGM.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular on pages 31 to 36. A copy of the rules of the New Share Option Scheme is

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## LETTER FROM THE BOARD

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available for inspection at the head office and principal place of business of the Company in Hong Kong at 8th Floor, Teda Building, 87 Wing Lok Street, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

### **AGM**

A notice convening the AGM to be held at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 10 June 2011 at 10:00 a.m. is set out on pages 31 to 36 of this circular. Ordinary resolutions will be proposed at the AGM to approve, among other things, the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate, the re-election of Directors and the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

All the resolutions proposed to be approved at the AGM will be taken by poll and an announcement will be made by the Company after the AGM on the results of the AGM.

### **RESPONSIBILITY STATEMENT**

This circular, 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 circular 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 circular misleading.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider the proposed grant of the General Mandate (including the extended General Mandate) and the Repurchase Mandate; the proposed re-election of Directors and the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

### GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully  
For and on behalf of the Board of  
**China Asean Resources Limited**  
**Leung Sze Yuan, Alan**  
*Executive Director*

*This Appendix I serves as an explanatory statement given to all Shareholders relating to a resolution to be proposed at the AGM authorizing the proposed Repurchase Mandate.*

*This explanatory statement contains all information pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules which is set out as follows:*

**1. NUMBER OF SHARES WHICH MAY BE REPURCHASED**

Exercise in full of the Repurchase Mandate, on the basis of 1,570,534,544 Shares in issue as at the Latest Practicable Date, would result in 157,053,454 Shares (representing approximately 10% of the issued share capital of the Company as at the date of passing of the resolution), being repurchased by the Company during the period prior to the next annual general meeting of the Company following the passing of the resolution approving the Repurchase Mandate.

**2. REASONS FOR PROPOSED REPURCHASE OF SHARES**

The Directors believe that it is in the interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on GEM. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or its earnings per Share.

The Repurchase Mandate will only be exercised when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole. The Directors have no present intention to repurchase any Shares.

**3. SOURCE OF FUNDS**

In repurchasing Shares, the Company will only apply funds legally available for such purpose in accordance with its Bye-laws, the laws of Bermuda and the GEM Listing Rules. The Company will not purchase the Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**4. EFFECT OF EXERCISING THE REPURCHASE MANDATE**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 December 2010) in the event that the Repurchase Mandate is exercised in full at any time during the Relevant Period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

**5. DISCLOSURE OF INTERESTS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquires, any of their respective associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders at the AGM.

**6. DIRECTORS' UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Bye-laws, the GEM Listing Rules and the applicable laws of Bermuda.

**7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If, as a result of a repurchase of Shares, pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

As a result, a Shareholder, or a group of Shareholders acting in concert (within that term's meaning under the Takeovers Code), depending on the level of increase in the Shareholders' interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 or 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge of the Company, the following Shareholder is interested in more than 10% of the Shares then in issue. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the total interests of such Shareholder(s) in the Shares would be increased to approximately the percentage set out in the last column as follows:

<b>Name of Shareholder(s)</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>	<b>Approximate percentage of shareholding if the Repurchase Mandate is exercised in full</b>
Mr. Ding Yin Fei	254,545,454(L)	16.21%	18.01%

(L) denotes long position

On the basis of the current shareholdings of the above Shareholders, an exercise of the Repurchase Mandate in full will not result in him becoming obliged to make a mandatory offer under Rule 26 or 32 of the Takeovers Code.

As at the Latest Practicable Date, the Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of any of the above Shareholder(s) or any other persons to make a general offer under the Takeovers Code or the number of Shares in the hands of the public falling below the prescribed minimum percentage of 25%.

The Directors are not aware of any consequences which could arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate in full.

## **8. NO PURCHASES OF SHARES BY THE COMPANY**

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the previous six months preceding the Latest Practicable Date.

**9. CONNECTED PERSON**

No connected persons (as defined in the GEM Listing Rules) has notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders at the AGM.

**10. SHARE PRICES**

The highest and lowest prices at which the Shares were traded on GEM during each of the previous twelve months were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2010</b>		
May	0.410	0.275
June	0.420	0.290
July	0.475	0.270
August	0.410	0.335
September	0.700	0.370
October	0.650	0.450
November	0.540	0.460
December	0.660	0.500
<b>2011</b>		
January	0.620	0.510
February	0.560	0.445
March	0.485	0.246
April (up to the Latest Practicable Date)	0.490	0.250

*Detail of the Directors who will retire from office at the AGM and being eligible, will offer themselves for re-election at the AGM, are set out below:*

### **RE-ELECTION OF EXECUTIVE DIRECTORS**

#### **Mr. Chultemsuren Gankhuyag (“Mr. Chultemsuren”)**

Mr. Chultemsuren, aged 58, has substantial experience in natural resources business including forestry and mine exploration in Europe and Mongolia. He particularly has substantial work experience and knowledge in coal mine exploration as well as data collection and analysis gained from successful identification and exploration of a number of mega coal mines in Mongolia.

Prior to joining the Company, he had been the chief geologist of a coal mining company in Mongolia, the chief geologist of Ulan Bator Geographic Authority of Mongolia, a coal expert of Ethnic Development Department of Mongolia and a senior researcher of Mineral Resources Department of the Geographic and Valuable Mineral Resources Research Institute of Mongolia. Mr. Chultemsuren has published more than 30 mining-related reports and papers which were presented at various occasions including the Mongolian National Geography Conference and the East Asian Geography Logic Seminar. Mr. Chultemsuren has been awarded the “Model Geologist Medal” and the “Glory Medal for Modeled Labour” in Mongolia and holds a bachelor’s degree in geology from Eotvos Lorand University in the Republic of Hungary. He is fluent in four languages, namely Mongolian language, Hungarian, Russian and English.

On 5 January 2011, the Company entered into a letter of appointment with Mr. Chultemsuren. Mr. Chultemsuren receives a Director’s fee of HK\$10,000 per month which is determined with reference to his duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed above, Mr. Chultemsuren did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Chultemsuren does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

**Mr. Gong Ting (“Mr. Gong”)**

Mr. Gong, aged 31, is an entrepreneur with diversified business interests including agricultural, information technology, natural resources and real estate sectors and has extensive networks in the People’s Republic of China and Mongolia. Mr. Gong is a director of the Cixi Xiaolin Business Association and was a director of the World Eminence Chinese Business Association in 2006 and was awarded the title of Honoured Citizen of Yixing City in 2008.

As at the Latest Practicable Date, Mr. Gong beneficially holds the zero-coupon convertible bonds in the principal amount of HK\$102,300,000, which is convertible into 465,000,000 Shares, through Jethero International Limited, a company wholly and beneficially owned by Mr. Gong.

On 26 November 2010, the Company entered into a letter of appointment with Mr. Gong. Mr. Gong receives a Director’s fee of HK\$15,000 per month which is determined with reference to his duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed above, Mr. Gong did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Gong does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

**Mr. Zeng Lingchen (“Mr. Zeng”)**

Mr. Zeng, aged 30, has held management positions in two rubber plantation companies in the PRC and possesses substantial experience in plantation of rubber trees and sale of rubber products. Mr. Zeng holds a bachelor’s degree in environmental engineering from Satakunta Polytechnic, Finland.

On 6 October 2010, the Company entered into a letter of appointment with Mr. Zeng. Mr. Zeng receives a Director’s fee of HK\$15,000 per month which is determined with reference to his duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed above, Mr. Zeng did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Zeng does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

#### **RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

##### **Ms. Wen Huiying (“Ms. Wen”)**

Ms. Wen, age 72, is a senior accountant in the PRC and possesses substantial experience in accounting and financial management. Ms. Wen was the financial controller of a state-owned company listed on the Shenzhen Stock Exchange for more than 10 years. Over the years, Ms. Wen has been awarded the “National Pioneering Accounting Practitioner” by the Ministry of Finance of the PRC, “Guangdong Province Pioneering Accounting Practitioner” by the Department of Finance of Guangdong Province and “Guangzhou City Pioneering Accounting Practitioner” by the Bureau of Finance of Guangzhou City. Her profile has also been registered in the “World’s Famous People”, the “Dictionary of Chinese Talents” and the “Dictionary of Modern Outstanding Management Experts”. Ms. Wen proposed to be appointed as a member of the audit committee of the Company.

On 6 November 2010, the Company entered into a letter of appointment with Ms. Wen. Ms. Wen receives a Director’s fee of HK\$10,000 per month which is determined with reference to her duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed above, Ms. Wen did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Ms. Wen does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. She does not have any interest in the Shares within the meaning of Part XV of the SFO.

##### **Mr. Zhang Ying (“Mr. Zhang”)**

Mr. Zhang, aged 43, has 15 years of working experience in financial management and internal control gained from his employment at the national state-owned banks in the PRC. Mr. Zhang is currently the head of finance of a services company in the PRC. Mr. Zhang holds a bachelor’s degree from the Faculty of Economic Management at Shanghai Maritime University (formerly known as Shanghai Maritime Institute), the PRC.

On 21 October 2010, the Company entered into a letter of appointment with Mr. Zhang, Mr. Zhang receives a Director's fee of HK\$10,000 per month which is determined with reference to his duties and responsibilities with the Company and the prevailing market situation.

Save as disclosed above, Mr. Zhang did not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Zhang does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

There is no information relating to Mr. Chultemsuren, Mr. Gong, Mr. Zeng, Ms. Wen and Mr. Zhang that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed herein, there is no other matter relating to Mr. Chultemsuren, Mr. Gong, Mr. Zeng, Ms. Wen and Mr. Zhang that needs to be brought to the attention of the Shareholders.

*This appendix sets out further information of the New Share Option Scheme and also summarises the rules of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:*

## **NEW SHARE OPTION SCHEME**

### **Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the AGM, notice of which is set out on pages 31 to 36 of this circular:

#### ***(a) Purpose of the New Share Option Scheme***

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognize and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

#### ***(b) Administration of the New Share Option Scheme***

The New Share Option Scheme shall be subject to the administration by the Board which may include a duly authorised committee thereof and the decision of the Board shall be final, conclusive and binding on all parties.

#### ***(c) Grant and acceptance of Options***

Subject to the terms of the New Share Option Scheme, the Board may, in its absolute discretion, invite any Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below.

An offer of the grant of an Option shall be made to Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date or the termination of the New Share Option Scheme or the Participant to whom such offer is made has ceased to be a Participant.

A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Participant together with the said consideration of HK\$10.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on GEM or an integral multiple thereof.

*(d) Exercise of Options and Price of Shares*

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a

Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

(e) *Maximum number of Shares available for issue*

- (i) Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time (the “**Overall Limit**”). No Options shall be granted under any share option schemes of the Company (including the New Share Option Scheme) if this will result in the Overall Limit being exceeded.
- (ii) Subject to the Overall Limit, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the “**Scheme Mandate Limit**”), unless Shareholders’ has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to the Overall Limit, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval (the “**Refreshed Limit**”). Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the Refreshed Limit. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules.
- (iv) The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 30% of the total issued Shares from time to time. Subject to the Overall Limit,

the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules.

*(f) Grant of Options to connected persons or any of their associates*

Any grant of Options to a connected person or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). Where Options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1 % of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued as stated below).

A circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the Options to be granted, (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant, and (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

*(g) Maximum entitlement of each Participant*

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue at the date of grant (the “**Individual Limit**”). Where it is proposed that any offer is to be made to a Participant (or where approximate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve (12)-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon Shareholders’ approval in general meeting with such Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant or grantee, the number and terms of options to be granted (and options previously granted) to such Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of options to be granted to such Participant must be fixed before the date on which Shareholders’ approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(h) Time of Exercise of Options*

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme (the “**Option Period**”).

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme.

*(i) Restrictions on the time of grant of Options*

Grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no Option may be granted during the period

commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's quarterly, interim or annual results and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of such results announcement.

**(j) *Rights are personal to grantees***

An Option is personal to the grantee and shall not be assignable. An Option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

**(k) *Rights on cessation of employment by dismissal***

If the grantee of an Option is an employee and ceases to be an employee on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence or other grounds on which an employer would be entitled to terminate his or her employment pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment.

**(l) *Rights on death***

If the grantee of an Option is an employee and ceases to be an employee by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (i) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent not already exercised) within a period of 12 months following the date of death (or such longer period as the Board may determine), failing which it will lapse.

**(m) *Rights on cessation of employment for other reasons***

If the grantee of an Option who is an employee and ceases to be an Participant for any other reason he or she may exercise the Options (to the extent not already exercised) in whole or in part within a period of three months following the date of such cessation, which date shall be the last actual working with the Company or its subsidiary, whether salary is paid in lieu of notice or not. If any of the events referred to in paragraph (n) to (p) below occurs during such period, he or she may exercise the Option pursuant to paragraphs (n) to (p) respectively.

**(n) Rights on a general offer**

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within thereafter and up to the close of such offer.

**(o) Rights on winding up**

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than four Business Days prior to the proposed general meeting)) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

**(p) Rights on reconstruction, compromise or arrangement**

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than four Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

**(q) *Cancellation of Options***

The Board may at any time cancel any Option granted but not exercised if the grantee so agrees. Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (e) and (i) above. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

**(r) *Effect of alterations to share capital***

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserved, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price per Share and/or (iii) the maximum number of Shares available for subscription and/or; (iv) the method of exercise of the Option as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issue at less than its nominal value. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

**(s) *Ranking of Shares***

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which

the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

**(t) *Duration of the New Share Option Scheme***

The New Share Option Scheme shall continue in force for the period commencing from the adoption date and expiring at the close of business on the tenth anniversary thereof, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

**(u) *Alterations to the terms of the New Share Option Scheme***

(i) The provisions relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in a general meeting.

(ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

(iii) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(iv) Any change to the authority of the Directors or the administrator of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.

**(v) *Conditions of the New Share Option Scheme***

**The New Share Option Scheme is conditional upon:**

(i) **the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and**

- (ii) **the passing of the necessary resolution to approve and adopt the New Share Option Scheme in general meeting.**

**(w) *Lapse of Options***

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (p);
- (iii) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph (j) by the grantee of the Option in respect of that or any other Option; and
- (iv) the date of the commencement of the winding-up of the Company.

**(x) *Termination***

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

**(y) *Miscellaneous***

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (r) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

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## NOTICE OF AGM

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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)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an annual general meeting of China Asean Resources Limited (the “**Company**”) will be held at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 10 June 2011 at 10:00 a.m., for the following purposes:

1. to receive and consider the audited consolidated financial statements and the reports of the directors (the “**Directors**”) and auditors of the Company for the year ended 31 December 2010;
2.
  - (a) to re-elect Mr. Chultemsuren Gankhuyag as executive Director;
  - (b) to re-elect Mr. Gong Ting as executive Director;
  - (c) to re-elect Mr. Zeng Lingchen as executive Director;
  - (d) to re-elect Ms. Wen Huiying as independent non-executive Director;
  - (e) to re-elect Mr. Zhang Ying as independent non-executive Director; and
  - (f) to authorise the board of Directors to fix the Directors’ remuneration;
3. To re-appoint the auditors of the Company and to authorise the board of Directors to fix their remuneration;

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## NOTICE OF AGM

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4. To, as special business, consider and, if thought fit, pass the following resolution as ordinary resolution:

“**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the existing share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
  - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

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## NOTICE OF AGM

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(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of resolution no. 5),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

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## NOTICE OF AGM

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5. To, as special business, consider and, if thought fit, pass the following resolution as ordinary resolution:

“**THAT:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the GEM or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the GEM for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the GEM, the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

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## NOTICE OF AGM

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6. To, as special business, consider and, if thought fit, pass the following resolution as ordinary resolution:

“**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

7. To, as special business, consider and, if thought fit, pass the following resolution as ordinary resolution:

“**THAT** the existing share option scheme (the “**Existing Share Option Scheme**”) of the Company adopted on 14 December 2001 be and is hereby terminated and conditional upon GEM granting the listing of and permission to deal in the Shares of HK\$0.05 each in the capital of the Company falling to be issued pursuant to the new share option scheme (the “**New Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the New Share Option Scheme be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

Yours faithfully

For and on behalf of the Board of  
**China Asean Resources Limited**  
**Leung Sze Yuan, Alan**  
*Executive Director*

Hong Kong, 27 April 2011

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

8th Floor  
Teda Building  
87 Wing Lok Street  
Hong Kong

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## NOTICE OF AGM

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*Notes:*

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she/it so wish.
3. In relation to the proposed resolution no. 2 above, Details of the retiring Directors standing for re-election are set out in Appendix II to this circular.
4. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the granting to the Directors of a general mandate to authorise the allotment and issue of shares of the Company under the GEM Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than Shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
5. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules is set out in Appendix I to this circular.