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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)

MAJOR AND CONNECTED TRANSACTION

THE DISPOSAL AGREEMENT

The Company is pleased to announce that on 5 September 2012, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire issued share capital of the Disposal Company at the Consideration of HK\$25,000,000 in cash. The Disposal Company is an investment holding company and its principal asset is its interest in IM Mining, which is principally engaged in coal logistics and trading businesses in the PRC. Following completion of the Disposal Agreement, the Disposal Company will cease to be a subsidiary of the Company.

GEM LISTING RULES IMPLICATION

Since the Purchaser is a substantial shareholder and a director of the Company, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company. As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are greater than 25% but less than 75%, the Disposal will also constitute a major transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

SGM

The SGM will be convened at which resolution(s) will be proposed to seek the approval of the independent shareholders of the Company for, among other things, the transaction contemplated under the Disposal Agreement by way of a poll. An independent board committee of the Company comprising all the independent non-executive directors of the Company will be established to consider the transactions contemplated under the Disposal Agreement and an independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in this regard. Since the Purchaser is interested in 415,000,000 Shares (representing approximately 15.8% of the issued share capital of the Company), the Purchaser and his respective associates will be required to abstain from voting at the SGM in respect of the relevant resolution(s) approving the Disposal. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the Purchaser, no other shareholders of the Company have material interests in the Disposal Agreement and therefore, no other shareholder is required to abstain from voting at the SGM to approve the relevant resolution(s) regarding the Disposal.

GENERAL

A circular containing, among other things, further details regarding (i) the Disposal Agreement; (ii) the letter of recommendation from the independent board committee of the Company containing its advice to the independent shareholders of the Company regarding the Disposal; (iii) the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Disposal; (iv) a notice convening the SGM; and (v) other disclosure requirements under the GEM Listing Rules. As additional time is required to prepare the above-mentioned documents, it is expected that the circular will be despatched to the shareholders of the Company on or before 12 October 2012.

THE DISPOSAL AGREEMENT

Date

5 September 2012

Parties to the Disposal Agreement

- (i) the Purchaser, as the purchaser; and
- (ii) the Vendor, as the vendor;

The Purchaser is an executive director and a substantial shareholder of the Company and is therefore a connected person of the Company under the GEM Listing Rules.

The Vendor is a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company.

Assets to be disposed of

The Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire issued share capital of the Disposal Company.

Condition Precedent

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

- (i) (if applicable) all other approvals, consents, permits and authorisations required having been obtained;
- (ii) none of the warranties and obligations given by the Vendor under the Disposal Agreement having been breached;
- (iii) all necessary consents and approvals required having been obtained on part of the Vendor and the Group in respect of the Disposal Agreement and the transactions contemplated thereunder; and
- (iv) the obtaining of the approval of the independent shareholders of the Company other than the Purchaser and his associates at the SGM of the Company to be convened for approving the Disposal Agreement and the transactions contemplated thereunder.

If the conditions set out above are not fulfilled or, as the case may be, waived by the Purchaser (in respect of conditions numbered (ii) only) on or before 1 January 2013 (or such other date as the parties thereto may agree), the obligations of the parties to the Disposal Agreement shall cease and neither party to the Disposal Agreement shall have any claims under the Disposal Agreement against the others save in respect of any antecedent breaches of the Disposal Agreement. For the avoidance of doubt, any consideration paid by the Purchaser to the Vendor will not be refundable in such case.

Completion

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

Upon completion of the Disposal Agreement, save for the Share Charge as disclosed below, the Company will no longer hold any interest in the Disposal Company and the Disposal Company will cease to be subsidiary of the Company.

Based on the unaudited consolidated net asset value of the Disposal Group as at 30 June 2012 of approximately HK\$9.4 million and the goodwill associated with the Disposal Group of approximately HK\$18.6 million, it is estimated that the Group will record a loss on disposal of approximately HK\$3 million. Shareholders should note that the actual loss on the Disposal to be recorded by the Group will depend on the then consolidated net asset value of the Disposal Group as at the date of completion. The cash proceeds from the Disposal of HK\$25 million will be used as general working capital of the Group.

The Consideration

- (i) The cash Consideration is HK\$25,000,000 and shall be payable to the Vendor as follows:
- (ii) HK\$2,000,000 within 15 days from the signing of the Disposal Agreement ;
- (iii) HK\$10,000,000 on or before 31 December 2012;
- (iv) HK\$5,000,000 on or before 31 March 2013; and
- (v) HK\$8,000,000 within one year from the signing of the Disposal Agreement.

All payments paid as above or those payments which fall due pursuant to the above schedule are payable and non-refundable. The Consideration was determined after arm's length negotiation between the Group and the Purchaser with reference to, among other things, (i) the consolidated unaudited net asset value of the Disposal Group as at 30 June 2012 of approximately HK\$9.4 million; (ii) the low level of revenue derived IM Mining; and, more importantly, (iii) the consideration of HK\$25 million paid by the Group for its initial acquisition of IM Mining. The Company, after having taken into account (i) the unsatisfactory business performance of IM Mining (the Disposal Group did not record any revenue from its coal trading business for the six months ended 30 June 2012 and only recorded approximately HK\$0.15 million for the year ended 31 December 2011); (ii) the unaudited loss of the Disposal Group of approximately HK\$1.4 million for the six months ended 30 June 2012; and (iii) the Consideration being the same as the Group's initial acquisition for IM Mining; the directors of the Company have considered that the terms of the Disposal (including the Consideration) are fair and reasonable and the entering into of the Disposal Agreement is in the interest of the Company and its shareholders as a whole.

As a security for the payment of the remaining balance of the Consideration, upon completion of the Disposal Agreement, the Purchaser shall execute the Share Charge to charge the entire issued share capital of the Disposal Company in favour of the Vendor. The Share Charge shall be released upon the Consideration having been paid in full.

INFORMATION ON THE GROUP

The Group is engaged in the businesses of wood products manufacturing and plantation business, mineral resources and plastic products manufacturing.

INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company is a wholly-owned subsidiary of the Company and is an investment holding company. The principal asset of the Disposal Company is its holding of the entire equity of IM Mining, a PRC company principally engaged in coal logistics and trading business in the PRC.

For the year ended 31 December 2010, IM Mining recorded unaudited net loss before and after tax of approximately RMB1.3 million (equivalent to approximately HK\$1.5 million) and RMB1.3 million (equivalent to approximately HK\$1.5 million), respectively. For the year ended 31 December 2011, the Disposal Group recorded consolidated net profit before and after tax of approximately HK\$5.8 million and HK\$4.2 million, respectively. As at 30 June 2012, the unaudited consolidated net asset value of the Disposal Group amounted to approximately HK\$9.4 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group acquired IM Mining in January 2011 and with a view to broadening its income stream and capturing the growth opportunities in the PRC's coal industry. However, the business performance of IM Mining has been below the Company's initial anticipation after the acquisition with revenue from its coal trading business only amounted to approximately HK\$0.15 million for the year ended 31 December 2011 and even did not record an revenue during the first half of 2012. Given the uncertainty as to when the Disposal Group will be able to turn around the financial performance of its coal trading business, the management of the Company has considered that the Disposal will represent an opportunity for the Group not only to at least recoup its initial investment cost from the prior acquisition of IM Mining, but will also (i) allow the Group to prevent any further potential loss incurred by the Disposal Group in the near future and (ii) provide the Group with addition working capital. Based on the above, the directors of the Company have considered that the Disposal is in the interest of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATION

Since the Purchaser is a substantial shareholder and the director of the Company, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company. As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are greater than 25% but less than 75%, the Disposal will also constitute a major transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

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GENERAL

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TERMS AND DEFINITION

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“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 Disposal
“Disposal”	the disposal of the entire issued share capital of the Disposal Company by the Vendor pursuant to the Disposal Agreement

“Disposal Agreement”	the sale and purchase agreement dated 5 September 2012 entered into between the Purchaser and the Vendor relating to the disposal of the entire issued share capital of the Disposal Company by the Vendor
“Disposal Company”	Linkbest System Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries
“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
“IM 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 the PRC and a wholly-owned subsidiary of the Disposal Company
“PRC”	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)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	Holder(s) of Shares
“SGM”	the special general meeting of the Company to be convened and held for the shareholders of the Company to consider and approve, among other matters, the transactions contemplated under the Disposal Agreement, by way of poll
“Share Charge”	the share charge to be executed by the Purchaser in favour of the Vendor upon completion of the Disposal as security for the payment of the remaining outstanding Consideration
“Vendor”	Mega Ascent Corporation Limited, a company with limited liability incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Purchaser”	Mr. Gong Ting, a substantial shareholder and a director of the Company

“HK\$” Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

“RMB” Renminbi, the lawful currency of the PRC

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
Zeng Lingchen
Executive Director

Hong Kong, 5 September 2012

As at the date of this announcement, the board of the Company comprises five executive Directors, namely Mr. Chultemsuren Gankhuyag, Mr. Gong Ting, Mr. Leung Sze Yuan, Alan, Ms. Yu Xiao Min and Mr. Zeng Lingchen; and three independent non-executive Directors, namely Mr. Tam Wai Leung, Joseph, Ms. Wen Huiying and Mr. Zhang Ying.

This announcement, for which the 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>.