

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



## **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 IN RESPECT OF SECURED LOAN ARRANGEMENT**

### **THE LOAN AGREEMENT**

On 21 May 2013 (after trading hours), Keen Wood entered into the Loan Agreement with the Lender pursuant to which the Lender has agreed to provide the Loans to Keen Wood subject to Conditions, inter alia, that Keen Wood will execute the Share Charges and the Deeds of Assignment in favour of the Lender.

### **LISTING RULES IMPLICATIONS**

As the Lender is the chief executive officer of the Company and a director of China Cambodia and Forest Glen, the Lender is a connected person of the Company pursuant to the GEM Listing Rules. As such, the transaction in relation to provision of Loans by the Lender to Keen Wood under the Loan Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Since Keen Wood will provide security over its assets by execution of the Share Charges and the Deeds of Assignment in favour of the Lender under the Loan Agreement, the transaction contemplated under the Loan Agreement constitutes a non-exempt connected transaction on the part of the Company under the Rule 20.63 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

A circular will be despatched to the Shareholders, containing among other things, (i) details of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement, (ii) a letter from the Independent Board Committee containing its advice in respect of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement; (iii) a letter from an independent financial adviser to the Independent Board Committee and independent Shareholders containing its advice in respect of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement; and (iv) a notice convening the SGM, in compliance with the GEM Listing Rules, on or before 11 June 2013.

On 21 May 2013 (after trading hours), Keen Wood entered into the Loan Agreement with the Lender pursuant to which the Lender has agreed to provide the Loans to Keen Wood subject to Conditions, inter alia, that Keen Wood will execute the Share Charges and the Deeds of Assignment in favour of the Lender.

## **THE LOAN AGREEMENT**

**Date:** 21 May 2013 (after trading hours)

**Parties:** (1) Keen Wood (as borrower)  
(2) the Lender (as lender)

The Lender is the chief executive officer of the Company and a director of China Cambodia and Forest Glen. Therefore the Lender is a connected person of the Company pursuant to the GEM Listing Rules.

### **The Loans**

Pursuant to the terms of the Loan Agreement, the First Loan, being the outstanding indebtedness of approximately HK\$37,300,000 owed by the subsidiaries of Keen Wood to the Lender as at the date hereof, is deemed to have been drawn by Keen Wood.

According to the Loan Agreement, the Lender has agreed to provide the Second Loan in the aggregate principal amount of up to HK\$39,000,000 (equivalent to US\$5,000,000 at an exchange rate of US\$1 = HK\$7.8) to be advanced by the Lender to Keen Wood from time to time subject to and upon the terms and conditions of the Loan Agreement.

### **Conditions**

The Loan Agreement and the obligation of the Lender to advance the Loans to Keen Wood shall be conditional upon:

(a) all necessary approvals, consents, authorisations and licences in relation to the transactions contemplated under the Loan Agreement having been obtained;

- (b) all representations and warranties made by Keen Wood in the Loan Agreement or in connection therewith shall be true and correct with the same effect as though made on and as of the drawdown date with reference to the facts and circumstances then subsisting;
- (c) no event of default shall have occurred prior to the completion of the Loan Agreement;
- (d) the Lender shall have received the following documents:
  - (i) the Share Charges;
  - (ii) the Deeds of Assignment; and
  - (iii) such other security documents or evidence as the Lender may reasonably request; and
- (e) the passing by the independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at the SGM to be held and convened of the necessary resolution(s) to approve the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement and the transactions contemplated hereunder.

### **Drawing**

The First Loan is deemed to have been drawn by Keen Wood as at the date hereof.

The Second Loan may be drawn by Keen Wood (or any of its subsidiaries as it may direct in the notice of drawing) in whole or in part(s) (in any integral multiples of US\$50,000 or HK dollars equivalent) depending upon the need of Keen Wood (or its subsidiaries) at any time on or before the date falling the third anniversary of the date hereof.

### **Term of the Loans**

Keen Wood shall repay the First Loan in full together with all outstanding and unpaid interest accrued thereon and all other monies payable regarding the First Loan under the Loan Agreement in one lump sum on the date falling the second anniversary of the date hereof.

Keen Wood shall repay the Second Loan in full together with all outstanding and unpaid interest accrued on the Loans and all other monies payable regarding the Loans under the Loan Agreement in one lump sum on the date falling the third anniversary of the date hereof.

### **Interest of the Loans**

No interest shall be payable by Keen Wood regarding any outstanding amount of the First Loan owed by Keen Wood to the Lender prior to the date hereof.

Interest on the outstanding amount of the Loans shall accrue at the rate of five (5) per cent. per annum, being the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited as at the date hereof. Interest shall be payable semi-annually in arrears.

If Keen Wood defaults in repayment on the due date of any part of the Loans or any sum payable under the Loan Agreement, interest or other amounts payable under the Loan Agreement, Keen Wood shall pay interest on such overdue sums from the due date until payment in full (before and after judgment) at the rate of fifteen (15) per cent. per annum for the first twenty (20) Business Days from the said due date and at the rate of thirty (30) per cent. per annum for the first three (3) months immediately following the first twenty (20) Business Days from the said due date and at the rate of fifty (50) per cent. per annum thereafter.

All such interest shall be calculated on the basis of a 365-day year and the actual number of days elapsed.

### **Security**

The obligations of Keen Wood under the Loan Agreement will be secured by the following:

- (i) the Share Charges; and
- (ii) the Deeds of Assignment.

### **Assignment**

The Lender may at any time without the consent of or notice to Keen Wood assign its rights and benefits under the Loan Agreement or any part thereof to anyone. Such assignee shall have the same rights and benefits and/or obligations against Keen Wood under the Loan Agreement as if it were an original party thereto in respect of its rights and benefits and/or obligations assigned to it.

### **Undertaking of Keen Wood**

Keen Wood has agreed that the Loans shall be utilised by Keen Wood to fund rubber plantation commitments as specified in Investment Contracts between the subsidiaries of the Company and the Ministry of Agriculture, Forestry and Fisheries of Cambodia (“MAFF”), as well as ongoing operating costs and capital expenditure of its subsidiaries in Cambodia and/or for such other appropriate purposes and uses as may be consented by the Lender.

### **REASONS FOR THE TRANSACTION UNDER THE LOAN AGREEMENT**

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

Under the Investment Contracts between the MAFF and the three wholly owned Cambodian subsidiaries of the Company, the Cambodian subsidiaries have annual rubber plantation commitments that need to be met. Due to a lack of funding in previous years, the Cambodian subsidiaries had never been able to meet the annual plantation commitments, and had to delay the investment plan annually, subject to the approval of MAFF.

In the year 2012, the rubber plantation commitments of the three Cambodian subsidiaries were 1,500 hectares. Due to a lack of funding, we reduced the rubber plantation plan downwards to 300 hectares as disclosed in the 2012 Interim Report. The Group actually managed to plant a total of 455 hectares in 2012, which exceeded the Group's revised target of 300 hectares, but still missed our rubber plantation commitments for 2012 by 1,045 hectares.

A year-end audit of the Group's rubber plantation by MAFF was carried out in January 2013, and an audit report was issued in early May 2013. The audit report noted that in addition to the 1,045 hectares shortfall in 2012, there was also a plantation shortfall of 480 hectares in 2011, resulting in a combined plantation investment shortfall of 1,525 hectares. The MAFF audit report requested that the Group's Cambodian subsidiaries make up the shortfall in 2013.

In addition, the Investment Contracts specified the rubber plantation commitments in 2013 at 2,400 hectares. Therefore, the Group would need to plant a total of 3,925 hectares in 2013 if the Group is to make up the shortfall in 2011 and 2012, as well as meeting the 2013 rubber plantation commitments. Based on an estimated plantation cost of US\$2,000 per hectare, this would require an investment of approximately US\$7,850,000.

The Directors believe that due to the Group's funding shortfall, as well as the difficulties of procuring sufficient rubber seedlings, and hiring experienced land clearing and plantation contractors, completion of the 3,925 hectares of rubber plantation in 2013 is not feasible. The relevant management of the Group is confident that MAFF will allow us to further delay the Group's investment plan provided that the Group can complete in 2013 most of the plantation shortfall in 2011 and 2012. Assuming the Group make up the total shortfall of 1,525 hectares in 2013, an investment of US\$3,050,000 will be required based on an estimated plantation cost of US\$2,000 per hectare.

The risk of non-compliance with plantation commitment is that the economic land concession may be cancelled by the Cambodian Government without compensation. Cases of economic land concessions being cancelled without compensation have been reported by the Cambodian Government.

As the result of obtaining the Loans, the Group will be able to finance its rubber plantation commitment shortfall in 2011 and 2012, and minimize the risk that the economic land concessions being cancelled.

Based on the above, the Directors (excluding the independent non-executive Directors who would give their views on the terms of the Loan Agreement after having been advised by the independent financial adviser) consider that the terms and conditions of the Loan Agreement, including the Loans, the Share Charges and the Deeds of Assignment, are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Lender is the chief executive officer of the Company and a director of China Cambodia and Forest Glen. Therefore the Lender is a connected person of the Company pursuant to the GEM Listing Rules. As such, the transaction in relation to provision of Loans by the Lender to Keen Wood under the Loan Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Since Keen Wood will provide security over its assets by execution of the Share Charges and the Deeds of Assignment in favour of the Lender under the Loan Agreement, the transaction contemplated under the Loan Agreement constitutes a non-exempt connected transaction on the part of the Company under the Rule 20.63 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements.

Approval of the independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Loan Agreement and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders other than the Lender, have material interests in the Loan Agreement and therefore, save for the Lender and his associates, no Shareholders are required to abstain from voting at the SGM to approve the relevant resolution(s) regarding the Loan Agreement.

The Independent Board Committee (comprising all the independent non-executive Directors) will be established to advise the independent Shareholders as to whether the terms of the Loan Agreement and the transaction contemplated thereunder, including the Loans, the Share Charges, the Deeds of Assignment, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser to advise the Independent Board Committee and the independent Shareholders will be appointed accordingly. None of the independent non-executive Directors has any material interest in the Loan Agreement.

A circular will be despatched to the Shareholders, containing among other things, (i) details of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement, (ii) a letter from the Independent Board Committee containing its advice in respect of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement; (iii) a letter from an independent financial adviser to the Independent Board Committee and independent Shareholders containing its advice in respect of the Loans, the Share Charges, the Deeds of Assignment and the Loan Agreement; and (iv) a notice convening the SGM, in compliance with the GEM Listing Rules, on or before 11 June 2013.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	China Asean Resources Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the GEM
“connected person”	has the meaning ascribed to this term under the GEM Listing Rules
“Conditions”	the conditions precedent to the completion of the Loan Agreement
“China Cambodia”	China Cambodia Resources Limited, a company incorporated in the British Virgin Islands and wholly owned by Keen Wood
“Deeds of Assignment”	the deeds of assignment as security in such form to the satisfaction of the Lender and Keen Wood and duly executed by Keen Wood and its subsidiaries regarding to any loans, indebtedness and liabilities owed by each of the subsidiaries of Keen Wood to Keen Wood in favour of Lender
“Directors”	directors of the Company from time to time
“First Loan”	the outstanding indebtedness of approximately HK\$37,300,000 owed by the subsidiaries of Keen Wood to the Lender as at the date hereof
“Forest Glen”	Forest Glen Group Limited, a company incorporated in the British Virgin Islands and wholly owned by Keen Wood
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established to advise the independent Shareholders in respect of the resolution(s) approving the Loan Agreement and the transaction contemplated thereunder
“Keen Wood”	Keen Wood Group Limited, a company incorporated in the British Virgin Islands and wholly owned by the Company
“Lender”	Mr. Zhang Zhenzhong, a director of China Cambodia and Forest Glen, therefore a connected person of the Company
“Loan Agreement”	the agreement dated 21 May 2013 and entered into between the Lender and Keen Wood in relation to the Loans, the Share Charges and the Deeds of Assignment
“Loans”	together the First Loan and the Second Loan in the aggregate principal amount of up to approximately HK\$76,300,000 which has been advanced to the subsidiaries of Keen Wood and will be advanced to Keen Wood by the Lender subject to and upon the terms and conditions of the Loan Agreement, or as the case may be, the aggregate amount outstanding, at any relevant time, of all moneys owing to the Lender in respect thereof
“Second Loan”	the loan facility in the aggregate principal amount of up to HK\$39,000,000 (equivalent to US\$5,000,000 at an exchange rate of US\$1 = HK\$7.8) to be advanced by the Lender to Keen Wood from time to time subject to and upon the terms and conditions of the Loan Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Loan Agreement and the transaction contemplated thereunder
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the issued share capital of the Company

“Share Charges”	share charges in such form to the satisfaction of the Lender and Keen Wood and duly executed by Keen Wood in favour of the Lender and the documents contemplated thereunder regarding the charges of the entire issued share capital of each of Forest Glen and China Cambodia in favour of the Lender
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

By order of the Board  
**China Asean Resources Limited**  
**Leung Sze Yuan, Alan**  
*Executive Director*

Hong Kong, 21 May 2013

*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, Ms. Yu Xiao Min and Mr. Zeng Lingchen; and three independent non-executive Directors, namely Mr. Hung Bingxian, Ms. Wen Huiying and Mr. Zhang Ying.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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