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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

**CONNECTED TRANSACTION
IN RESPECT OF LOAN ARRANGEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**

VINCO 城高

Grand Vinco Capital Limited

Wholly-owned subsidiary of Vinco Financial Group Limited

A letter from the Independent Board Committee is set out on page 15 to 16 of this circular. A letter from Vinco Capital to the Independent Board Committee and the independent Shareholders is set out on pages 17 to 28 to this circular.

A notice convening the SGM to be held at 10:00 a.m. on 23 July 2013 at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages 34 to 36 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

The circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for 7 days from the date of its posting.

8 July 2013

CHARACTERISTICS OF GEM

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 of Hong Kong Limited. 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 of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Agri-Industrial Crop”	Agri-Industrial Crop Development (Cambodia) Co., Ltd., a limited liability company incorporated in Cambodia and wholly owned by Forest Glen
“Board”	the board of Directors from time to time
“(Cambodia) Tong Min”	(Cambodia) Tong Min Group Engineering Co., Ltd., a limited liability company incorporated in Cambodia and wholly owned by China Cambodia
“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
“Crops & Land Development”	Crops & Land Development (Cambodia) Co., Ltd., a limited liability company incorporated in Cambodia and wholly owned by Forest Glen
“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 of the Loan Agreement

DEFINITIONS

“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 of Hong Kong Limited
“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 relation to the Loan Agreement and the transaction contemplated thereunder
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise the terms of the Loan Agreement and the transactions contemplated thereunder
“Investment Contracts”	The contracts on the grant of the economic land concession for a period of 70 years and the investment of rubber and acacia plantations signed between the Cambodian subsidiaries of the Group and the Ministry of Agriculture, Forestry and Fisheries of Cambodia. The contracts were entered into on 8 December 2008, and had the following initial plantation commitments:

Subsidiary name	Total plantation commitments <i>(hectares)</i>	Plantation period <i>(years)</i>
(Cambodia) Tong Min	7,465	5
Agri-Industrial Crop	7,000	7
Crops & Land Development	7,200	7

DEFINITIONS

“Keen Wood”	Keen Wood Group Limited, a company incorporated in the British Virgin Islands and wholly owned by the Company
“Latest Practicable Date”	5 July 2013, being the latest practicable day for the purpose of ascertaining certain information contained in this circular
“Lender”	Mr. Zhang Zhenzhong, the chief executive officer of the Company and a director of China Cambodia and Forest Glen
“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
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“SFO”	Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held on 23 July 2013 to consider and, if thought fit, approve the Loan Agreement and the transactions contemplated thereunder

DEFINITIONS

“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 (which through their subsidiaries, hold the economic land concessions for three forests of approximately 31,000 hectares in Cambodia) in favour of the Lender
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

Unless otherwise specified in this circular, amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ at the exchange rate of US\$1=HK\$7.8.

LETTER FROM THE BOARD



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:

YU Xiao Min (*Chairman*)
CHULTEMSUREN Gankhuyag
GONG Ting
LEUNG Sze Yuan, Alan
ZENG Lingchen

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent non-executive Directors:

HUNG Bingxian
WEN Huiying
ZHANG Ying

Principal place of business:

8th Floor
Teda Building
87 Wing Lok Street
Hong Kong

8 July 2013

To the Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION
IN RESPECT OF SECURED LOAN ARRANGEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 21 May 2013.

The purpose of this circular is to provide you with (i) details of the Loan Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice in respects of the Loan Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder; and (iv) the notice convening the SGM.

LETTER FROM THE BOARD

THE LOAN AGREEMENT

Date: 21 May 2013

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 (which were mainly used to pay: (a) subcontractors for logging and land clearing, procurement, maintenance and field planting of rubber seedlings, and road building and maintenance; (b) wood processing documentation; and (c) payment of daily operating expenses in Cambodia) owed by the subsidiaries of Keen Wood to the Lender as at the Latest Practicable Date, 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;

LETTER FROM THE BOARD

- (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 Loan Agreement and the transactions contemplated hereunder.

The Lender does not request any other security documents save for those disclosed in this circular. In the event the Lender has requested any other security documents which constitute a material change under the Loan Agreement, the Company will re-comply with the announcement, reporting and shareholders' approval requirements as and when appropriate.

Drawing

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

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 of the Agreement.

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 of the Loan Agreement.

LETTER FROM THE BOARD

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 of the Loan Agreement.

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 of the Loan Agreement.

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 of the Loan Agreement. 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.

Events of Default

The Loan Agreement has contained a number of events of defaults including but not limited to (i) non-payment and breach of representation by Keen Wood; (ii) commitment of material breach or omission to observe undertaking or obligation under the Loan Agreement by Keen Wood; (iii) enforcement of Keen Wood and the Company; (iv) winding-up, dissolution, bankruptcy or liquidation of Keen Wood and the Company; (v) the reconstruction, amalgamation, reorganization or takeover of Keen Wood and the Company; and (vi) cessation of the listing of the Shares on the GEM or suspension in the trading of the Shares on the GEM over 60 consecutive trading days after completion of the Loan Agreement. Upon the occurrence of an Event of Default, the Lender may by notice in writing to Keen Wood declare the Loans, all interest accrued thereon and all other monies payable under the Loan Agreement to be forthwith due and payable.

LETTER FROM THE BOARD

Security

As at 30 April 2013, the unaudited net asset values of Forest Glen and China Cambodia were approximately HK\$332,562,000 and HK\$125,679,000 respectively.

For the year ended 31 December 2012, Forest Glen had unaudited revenue of HK\$110,000 and unaudited net losses of approximately HK\$4,350,000. For the four months ended 30 April 2013, Forest Glen had not recorded any revenue and recorded unaudited net losses of approximately HK\$949,000. The unaudited revenue and unaudited net losses of China Cambodia for the year ended 31 December 2012 were approximately HK\$8,716,000 and HK\$10,160,000 respectively. The unaudited revenue and unaudited net losses of China Cambodia for the four months ended 30 April 2013 were approximately HK\$3,015,000 and HK\$3,435,000 respectively.

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.

As disclosed in the announcement, as at the date of the Loan Agreement, the subsidiaries of Keen Wood is indebted to the Lender for the First Loan of approximately HK\$37,300,000, which shall be assigned to Keen Wood under the Deeds of Assignment and will be deemed to have been drawn by Keen Wood under the Loan Agreement. Moreover, Keen Wood may from time to time provide advancement to its subsidiaries and those advancements will also be subject to the security under the Deeds of Assignment.

In the event of any default on the part of Keen Wood under the Loan Agreement, the Lender may exercise its rights under the Deeds of Assignment to assign those advancements in favour of the Lender.

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.

LETTER FROM THE BOARD

The Company will make announcement in the event when the Lender assigns its rights and benefits under the Loan Agreement to other party.

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.

INFORMATION ON THE GROUP

The Group is principally engaged in the business of wood products, manufacturing and plantation business, plastic products manufacturing and coal logistics and trading business.

REASONS FOR THE TRANSACTION UNDER THE LOAN AGREEMENT

Under the Investment Contracts between 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.

The initial rubber plantation commitments (in hectares) under the respective Investment Contracts were as follows:

	(Cambodia) Tong Min	Agri-Industrial Crop	Crops & Land Development	Total
2009	465	1,000	1,000	2,465
2010	1,500	1,000	1,000	3,500
2011	1,500	1,000	1,000	3,500
2012	2,000	1,000	1,000	4,000
2013	2,000	1,000	1,000	4,000
2014	—	1,000	1,000	2,000
2015	—	1,000	1,200	2,200
Total	7,465	7,000	7,200	21,665

LETTER FROM THE BOARD

The latest revised rubber plantation commitments (in hectares) approved by MAFF in the first quarter of 2012 under the Investment Contracts were as follows:

	(Cambodia) Tong Min	Agri-Industrial Crop	Crops & Land Development	Total
2010	465	—	—	465
2011	500	500	500	1,500
2012	500	500	500	1,500
2013	800	800	800	2,400
2014	1,000	1,000	1,000	3,000
2015	1,000	1,000	1,000	3,000
2016	1,000	1,000	1,000	3,000
2017	1,000	1,000	1,000	3,000
2018	1,200	1,200	1,400	3,800
Total	7,465	7,000	7,200	21,665

For the year 2012, the revised rubber plantation commitments of the three Cambodian subsidiaries were 1,500 hectares. Due to a lack of funding, the Group 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 the Group's 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.

Actual plantation (in hectares) and plantation shortfall based on audit by MAFF are as follows:

	Plantation commitments	Actual plantation (audited)	Plantation shortfall
Before 2012	1,965	1,485	480
2012	1,500	455	1,045
Total	3,465	1,940	1,525

LETTER FROM THE BOARD

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, and meet 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 the Group to further delay its investment plan provided that the Group can complete in 2013 most of the plantation shortfall for 2011 and 2012. Assuming the Group would make up the total shortfall of 1,525 hectares in 2013, an investment of US\$3,050,000 would be required based on an estimated plantation cost of US\$2,000 per hectare.

The risk of non-compliance with the above plantation commitment is that the economic land concession may be cancelled by the Cambodian Government without compensation. If the Group were able to obtain the Loans, it is considered that the Group will be able to finance its rubber plantation commitment shortfall for 2011 and 2012, and minimize the risk that the economic land concessions being cancelled (cases of economic land concessions being cancelled without compensation have been reported by the Cambodian Government).

The provision of the Share Charges on the entire issued capital of each of Forest Glen and China Cambodia, despite their net asset values being substantially higher than the amount of the Loan, was based on arms length negotiation between the Company and the Lender, and has taken into various factors including: (a) extension of the term of maturity of the First Loan and provision of the Second Loan; (b) reduced interest rates (or a higher interest rate would be imposed by the Lender in the event the Share Charge could not be agreed between Keen Wood and the Lender); (c) specific request by Lender for the entire issued capital of Forest Glen and China Cambodia as security; (d) inability of the Company to raise external debt; (e) illiquidity of the shares and underlying assets of Forest Glen and China Cambodia; and (f) potential impairment loss and the intangible assets in Cambodia as disclosed in the profit warning announcement of the Company dated 19 March 2013.

Based on the above, the Directors 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 the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS OF THE GEM LISTING RULES

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 transactions contemplated under the Loan Agreement together 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors namely Mr. Hung Bingxian, Ms. Wen Huiying and Mr. Zhang Ying has been established to advise the independent Shareholders as to whether the terms of the Loan Agreement and the transactions contemplated thereunder, including the Loans, the Share Charges and 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. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder.

None of the Directors have any material interest in the Loan Agreement, and therefore none of the Directors have abstained from voting on the board resolution.

THE SGM

The notice convening the SGM to be held at 10:00 a.m. on 23 July 2013 at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong for the independent Shareholders to consider and, if thought fit, to approve the Loan Agreement and the transactions contemplated thereunder by way of poll, is set out on pages 34 to 36 of this circular.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, no Shareholder, other than the Lender who holds a total of 27,328,000 shares (representing approximately 1.04% of shareholding in the Company) and 5,000,000 share options (representing approximately 0.19% of shareholding in the Company) in the Company as at the Latest Practicable Date, has a material interest in the transactions contemplated under the Loan Agreement, and therefore, save for the Lender and his associates, no other Shareholders will be required to abstain from voting in respect of the resolution approving the Loan Agreement and the transactions contemplated thereunder at the SGM.

A form of proxy for use in the SGM is enclosed with this circular. If Shareholders are not able to attend the SGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting thereof should they wish to do so. Delivery of an instrument appointing a proxy shall not preclude Shareholders from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed revoked.

RECOMMENDATION

Based on the above, and after taking into consideration of the letter of advice from Vinco Capital, the Directors consider that the Loan Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the independent Shareholders to vote in favor of the resolution in respect of the Loan Agreement and the transactions contemplated thereunder at the SGM.

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



CHINA ASEAN RESOURCES LIMITED

神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

8 July 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RESPECT OF LOAN ARRANGEMENT**

We refer to the circular of the Company dated 8 July 2013 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

This Independent Board Committee has been established to advise you on the terms of the Loan Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the Circular.

Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having considered the terms of the Loan Agreement and the advice of Vinco Capital in relation to the Loan Agreement and the transactions contemplated thereunder as set out on pages 5 to 14 of the Circular, we are of the opinion that the terms of the Loan Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Independent Shareholders as a whole. We therefore recommend the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders to vote for the ordinary resolution to be proposed at the SGM to approve the Loan Agreement and the transactions contemplated thereunder

Yours faithfully,

For and on behalf of the
Independent Board Committee

Hung Bingxian

Weu Huiying

Zhang Ying

Independent Non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Loan Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.



Grand Vinco Capital Limited

Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

8 July 2013

*To the Independent Board Committee and the Independent Shareholders of
China Asean Resources Limited*

Dear Sirs,

CONNECTED TRANSACTIONS IN RESPECT OF LOAN ARRANGEMENT

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders (the "Independent Shareholders") in connection with terms of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 8 July 2013 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

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.

As the Lender is the chief executive officer of the Company and a director of China Cambodia and Forest Glen (which are the wholly-owned subsidiaries of the Company), the Lender is a connected person of the Company under the GEM

LETTER FROM VINCO CAPITAL

Listing Rules. The provision of Loans by the Lender to Keen Wood under the Loan Agreement, therefore 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 transactions contemplated under the Loan Agreement constitutes a non-exempt connected transaction for the Company under the Rule 20.63 of the GEM Listing Rules and is subject to the reporting, announcement and the independent shareholders' approval requirement.

The Independent Board Committee, comprising Mr. Hung Bingxian, Ms. Wen Huiying and Mr. Zhang Ying, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Loan Agreement and the transactions contemplated thereunder. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Loan Agreement and the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Loan Agreement and the transactions contemplated thereunder.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from

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the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Loan Agreement and the transactions contemplated thereunder, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Loan Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without prior written consent.

C. **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the Loan Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

Financial performance on the natural resources segment of the Group

Keen Wood Group Limited, a company incorporated in the British Virgin Islands. Through its wholly-owned subsidiaries, it is principally engaged in wood products manufacturing and plantation business, which, through their subsidiaries, hold the economic land concessions for three forests of approximately 31,000 hectares in Cambodia.

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The table below sets out the financial information on the natural resources segment of the Group for the two years ended 31 December 2011 and the six months ended 30 June 2012 as extracted from segment information under the notes of financial information from the respective annual reports and interim report of the Group:

	For the six months ended		For the year ended	
	30 June		31 December	
	2012	2011	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Segment turnover	1,441	80	59	2,960
Segment loss	(11,095)	(13,245)	(40,488)	(30,557)
			As at 31 December	
			2011	2010
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(Audited)	(Audited)
Segment assets			927,254	915,012
Segment liabilities			29,450	990

According to the annual report for the year ended 31 December 2011 (the “Annual Report 2011”), the Group recorded revenue of approximately HK\$0.06 million from its natural resources segment, which represents a decrease of approximately HK\$2.90 million or by approximately 98.01% when compared to the previous year. Such decrease in turnover for natural resources segment of the Group was due to the widespread flooding in Cambodia during 2011 which was the worst flooding in Cambodia in the last 11 years. The flooding has adversely affected the production and transportation as the access roads to forests owned by the Group are severely damaged. In addition, the first shipment of wood flooring materials, which was ready in November 2011, experienced unexpected delays in custom clearance and was eventually shipped only in 2012. As such, only minimal sales were derived from the domestic sale of low-grade sawn timber for the year ended 31 December 2011.

According to the Annual Report 2011, the losses on natural resources segment of the Group was deteriorating for the two years ended 31 December 2011. The Group recorded losses on natural resources segment of approximately HK\$30.56 million and approximately HK\$40.49 million for the year ended 31 December 2010 and for the year ended 31 December 2011 respectively. The loss was increased by approximately 32.50%. Such increase in loss were mainly due to the decrease in revenue resulted from severe flooding in Cambodia during 2011, and the increase in administrative expenses, including depreciation and amortization costs, salaries and allowances.

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According to the interim report for the six months ended 30 June 2012 (the “Interim Report 2012”), the Group recorded an increase of revenue to approximately HK\$1.44 million from its natural resources segment for the six months ended 30 June 2012, (representing an increase of approximately HK\$1.36 million or approximately 1,701% when compared with the same period in previous year). Such increase in turnover for natural resources segment of the Group were primarily due to the natural resources segment was recovered from the flooding in Cambodia and the custom clearance process has been resolved. Such recovery has led to the increase in export sales of wooden flooring materials to China.

According to the Interim Report 2012, the losses on natural resources segment of the Group has reduced by 16.23% from approximately HK\$13.25 million for the six months ended 30 June 2011 to approximately HK\$11.10 million for the six months ended 30 June 2012. Such decrease in loss were mainly due to the recovery of sales resulted from the resolved custom clearance process and the decreases in administrative expenses and finance costs.

In addition, we have also reviewed the management accounts of the wholly-owned subsidiaries of Keen Wood, which are engaged in natural resources segment, for the year ended 31 December 2012. Those subsidiaries are also making a loss in aggregate during 2012.

Given that the natural resources segment of the Group has been loss-making for the two years ended 31 December 2011 and the six months ended 30 June 2012, we consider and the Directors confirmed that Keen Wood has limited capacity to fund the building up of timber inventory and meeting plantation commitments set by the MAFF (as detailed below).

Reasons and benefits for entering the Loan Agreement

As stated in the Letter from the Board, 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, the Group reduced the rubber plantation plan downwards to 300 hectares as disclosed in the Interim Report 2012. 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

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plantation commitments for 2012 by 1,045 hectares. Aside from the plantation commitments 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 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.

However, 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 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.

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.

As discussed in the above section headed "Financial performance on the natural resources segment of the Group", this segment has suffered loss for two years ended 31 December 2011. In addition, the loss making performance of the natural resources segment persists in 2012 according to the management accounts of the wholly-owned subsidiaries of Keen Wood which are engaging in natural resources segment. Based on that, we concur with the Directors' view that those subsidiaries and hence the Group have limited funding to fulfill the plantation commitment set by MAFF in recent years. Given that (i) the Loans can relief the capital insufficiency of Keen Wood and hence its wholly-owned subsidiaries which are engaged in natural resources segment for fulfilling the plantation commitments and (ii) the failure in fulfilling MAFF's plantation requirement may lead to cancellation of economic land concession which in turn will adversely affect the Group's nature resources business in Cambodia, we therefore are of the view that entering the Loan Agreement to obtain funding for the Group's core business is fair and reasonable and in ordinary and usual course of business of the Group.

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Principle terms of the Loan Agreement

In assessing the fairness and reasonableness of the terms of the Loan Agreement and the transactions contemplated thereunder, we have considered applying a comparable analysis through comparing a number of parameters such as interest rate, length of loan agreements, presence of any collateral or asset pledge to secure loan, to companies listed on the Stock Exchange with similar line of business of the Group, namely engaged in the business of wood products manufacturing and plantation business, mineral resources and plastic products manufacturing. However, we consider that it would be difficult to conduct a comparable analysis on loan agreements as each company has its specific risk profile and the borrower normally depends upon each company's specific credit risk to determine the terms of loan. Thus, we consider the aforesaid comparable analysis is not applicable.

The Loans and their respective terms

Pursuant to the terms of the Loan Agreement, the First Loan, being the outstanding indebtedness of approximately HK\$37,300,000 (which were mainly used to pay: a) subcontractors for logging and land clearing, procurement, maintenance and field planting of rubber seedlings, and road building and maintenance; b) wood processing documentation; and c) payment of daily operating expenses in Cambodia) owed by the subsidiaries of Keen Wood to the Lender as at the Latest Practicable Date, is deemed to have been drawn by Keen Wood as at the date of the Loan Agreement. 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 of the Loan Agreement.

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. 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 of the Loan Agreement.

Prior to entering the Loan Agreement, the First Loan is unsecured, interest free and repayable upon demand. We consider that entering the First Loan with a term of 2 years instead of repayable upon demand is fair and reasonable as this can provide flexibility for Keen Wood to repay the First Loan as Keen Wood may not repay

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promptly upon demand given the lack of funding and the loss making performance of its wholly-owned subsidiaries engaging in natural resources segment of the Group. Based on the fact that the First Loan will be repayable in 2 years instead of repayable upon demand, we are of the view that the demand of interest and security in favour of the Lender is fair and reasonable.

Interest rate

Pursuant to the Loan Agreement, interest on the outstanding amount of the Loans shall accrue at the rate of 5% per annum, being the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited as at the date of the Loan Agreement. Interest shall be payable semi-annually in arrears.

As advised by the Directors, save for the Loans, Keen Wood did not obtain any other loan or bank facilities for the past two years. In addition, we noted that the Group did not record any short-term borrowing or long-term borrowing as we reviewed the Annual Report 2011, the Interim Report 2012 and management accounts of the Group for the year ended 31 December 2012. In this respect, we cannot conclude whether the interest rate charged to Keen Wood under the Loan Agreement is comparable to those independent third parties charged to Keen Wood. However, as advised by the Directors, Keen Wood has made a preliminary enquiry with a bank which is independent third party for quotation with the same loan size. However, the bank would only lend under the fully cash pledged situation (i.e. Keen Wood are required to deposit same amount of cash as the amount of loan size with the bank as a pledge). As Keen Wood has funding shortage to conduct its business under the wholly-owned subsidiaries, the Directors and we are of the view that the loan quotation is not feasible and comparable to Keen Wood. Besides, we have also made enquiries with a financial institute and a bank which is independent to the Group for a loan quotation with the same loan size and collateral. However, the financial institute will normally accept or consider collateral of physical assets and blue chips securities rather than high risk equity interest of any companies as the secondary market of the shares of these companies are in doubt. Under the pledge of the Share Charges, the financial institute will charge an interest rate of at least 2% per annum premium over the Hong Kong prime rate. Similarly, the bank would also charge an interest rate of at least 8% per annum with the pledge of the Share Charges. Based on the aforesaid, we are of the view that the interest rate charged under the Loan Agreement is more favourable when compared with the loan quotations from the bank and the financial institute.

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Prime rate is the interest rate that commercial banks charge their most credit-worthy customers. As discussed in the above section headed “Financial performance on the natural resources segment of the Group”, this segment has suffered loss for two years ended 31 December 2011. In addition, the loss making performance of the natural resources segment persists in 2012 according to the management accounts of the wholly-owned subsidiaries of Keen Wood which are engaged in natural resources segment. We are of the view and the Directors confirmed that based on the loss making performance and the financial position of the natural resources segment, Keen Wood and the Company have difficulties to obtain external financing, let alone to get a more favourable terms than prime rate from external financing provided by independent third parties such as banks.

Having taking into consideration that (i) the natural resources segment reported loss for the two years ended 31 December 2011 and loss for the year ended 31 December 2012 pursuant to the management accounts of the wholly owned subsidiaries of Keen Wood, (ii) such financial performance and position may cause Keen Wood and the Company difficult to get external debt financing and hence a more favourable terms from bank or financial institute and (iii) the interest rate charged by the independent bank and financial institute are higher than that of the Loan Agreement, we are of the view that the interest rate being set as prime rate under the Loan Agreement is in the ordinary and usual course of business, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Share Charges and the Deeds of Assignments

Pursuant to the Loan Agreement, the obligations of Keen Wood under the Loan Agreement will be secured by (i) the Share Charges and (ii) the Deeds of Assignment.

Under the Share Charges, in order to secure the Loans, the entire issued share capital of each of Forest Glen and China Cambodia will be charged in favour of the Lender. Forest Glen and China Cambodia are wholly-owned subsidiaries of Keen Wood and are principally engaged in natural resources segment which conduct wood products manufacturing and plantation business.

Under the Deeds of Assignment, any loans, indebtedness and liabilities owed by each of the subsidiaries of Keen Wood to Keen Wood will be charged in favour of Lender in order to secure the Loans.

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In order to assess the fairness and reasonableness of the Share Charges and the Deeds of Assignment for securing the Loans, we have considered the past financial performance of the wholly-owned subsidiaries of Keen Wood and hence the natural resources segment. As discussed in the above section headed “Financial performance on the natural resources segment of the Group”, this segment has suffered loss for two years ended 31 December 2011. In addition, the loss making performance of the natural resources segment persists in 2012 according to the management accounts of the wholly-owned subsidiaries of Keen Wood engaging in natural resources segment. In the Lender’s perspective, the continuous loss making performances of the wholly-owned subsidiaries of Keen Wood and hence Keen Wood have increased the underlying credit risk of the Loans which would require higher value of collaterals or securities to secure the Loans. In order to avoid higher interests charged to Keen Wood and hence minimize the finance costs of the Group, the Share Charges and the Deeds of Assignment are entered. We have also considered the financial information of China Cambodia and Forest Glen to assess the fairness and reasonableness of the Share Charges and the Deeds of Assignment. According the management accounts for the year ended 31 December 2012, China Cambodia, under its subsidiaries, recorded sales of approximately HK\$8.7 million and net losses of approximately HK\$10.1 million. Forest Glen, together with its subsidiaries, recorded sales of approximately HK\$0.11 million in aggregate and net losses of approximately HK\$4.35 million. Both China Cambodia and Forest Glen reported weak sales and net losses for the financial year 2012 according to the respective management accounts for the year ended December 2012.

According to the respective management accounts for the year ended 31 December 2012, the net assets values of China Cambodia and Forest Glen are approximately HK\$145.76 million and approximately HK\$321.53 million respectively. Despite the high net asset values for both China Cambodia and Forest Glen, certain factors including quality and marketability of the assets of China Cambodia and Forest Glen play an important determinant in justifying the fairness and reasonableness of entering the Share Charges. After we have reviewed the management account of China Cambodia for the year ended 31 December 2012, we noted that the vast majority of the assets as at 31 December 2012 are amount due from the Company and China Cambodia’s wholly owned subsidiary which was approximately HK\$101.19 million and land use rights which are the consideration paid for land in Cambodia for conducting planation business in Cambodia. Such amount was approximately HK\$54.6 million.

Similarly, after reviewing the management accounts as at 31 December 2012 of Forest Glen, we also noted the vast majority of the assets of the Forest Glen as

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at 31 December 2012 are amount due from Forest Glen's subsidiaries which was approximately HK\$116.23 million and land use rights which are the consideration paid for land in Cambodia for conducting plantation business in Cambodia. Such amount was approximately HK\$250 million. Such assets of both China Cambodia and Forest Glen may not be disposed easily. In case the Lender exercises its rights under the Share Charges, there is uncertainty for the Lender to dispose of the charged shares as the assets of China Cambodia and Forest Glen may also subject to a substantial marketability discount to compensate for their low liquidity. Regarding the Deeds of Assignment, we are of the view that the loans, indebtedness and liabilities owed by each of the subsidiaries of Keen Wood to Keen Wood are also illiquid and may also subject to a substantial marketability discount to compensate for their low liquidity in case the Lender exercises its rights under the Deeds of Assignment.

In light of the above, we therefore concur with the view of the Directors that entering of the Share Charges and the Deed of Assignment to secure the Loans is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Other terms of the Loan Agreement

We have also reviewed the other terms of the Loan Agreement and are not aware of any terms which are uncommon. In this regard, we consider that the other terms of the Loan Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

In view of the foregoing analysis, we consider that the principal terms of the Loan Agreement are fair and reasonable and in the interest to the Company and the Shareholders as a whole.

Other financing alternatives

Regarding the suitability of entering the Loan Agreement, we understand from the Directors that they had also considered other financing methods such as equity financing before entering the Loan Agreement. However, for equity financing, placement of new Shares will cause immediate dilution to the shareholding of existing Shareholders. With respect to pro rata equity financing method such as rights issue or open offer, the Directors consider that such pro rata equity financing would generally (i) more time-consuming as it may subject to independent shareholders' approval at special general meeting given the Company required to

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raise a sizable amount of funds for the development of its estimated plantation and it would be unavoidable for the Company to structure and issue a larger volume of offer shares with high discount on the offer price compared with the share price to make the offer attractive to the shareholders and (ii) the expenses incurred from the offer may be higher than loan interests as higher commissions and professional fees may incur under a large offer structure in order to attract underwriters or subscribers entering the underwriting or subscription agreement with the Company relating to the offer. The Company may also not be able procure favourable terms in commercial underwriting. Based on the aforesaid, the Directors considers and we are of the view that the entering the Loan Agreement is more suitable.

D. CONCLUSION

Having taken into consideration that (i) the loss making financial performance of the wholly-owned subsidiaries of Keen Wood and hence Keen Wood in recent years, (ii) Keen Wood and the Company may have difficulties to get external financing such as bank loan due to such financial performance and the absence of loan relationship with banks in recent years, (iii) the vast majority assets being charged under the Share Charges and the Deeds of Assignments are illiquid, (iv) the needs of funding for the operation of the wholly owned subsidiaries of Keen Wood to meet plantation commitments set by MAFF and (v) equity financing method may incur substantial costs and may dilute the shareholdings of existing Shareholders, we are of the opinion that the terms of Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, are in the ordinary and usual courses of business, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the (i) the Independent Shareholders and, (ii) the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the terms of the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. 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.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long positions in the shares of the Company

Name	Capacity Interest	Number of Ordinary Shares held	Number of underlying Shares held	Approximate Percentage of shareholding in the Company
Better Day International Limited ("Better Day") (note 1)	Beneficial Owner	446,370,967	—	17.01%
Mr. Gong Ting	Beneficial Owner	415,000,000	—	15.82%
Mr. Leung Sze Yuen, Alan	Beneficial Owner	10,950,917	—	0.42%
		—	5,000,000 (note 2)	0.19%
Mr. Zhang ZhenZhong	Beneficial Owner	27,328,000	—	1.04%
		—	5,000,000 (note 3)	0.19%

Notes:

1. Better Day is wholly and beneficially owned by Ms. Yu Xiao Min.
2. Mr. Leung Sze Yuan, Alan granted 5,000,000 share option not yet exercised.
3. Mr. Zhang Zhenzhong granted 5,000,000 share option not yet exercised.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company has short positions in the Shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

3. INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any of the Directors or the chief executive of the Company, no other person (other than a Director or the chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

Executive Directors

On 23 May 2011, Mr. Leung Sze Yuan, Alan was appointed as an executive Director and entered into a service contract, renewable every three years. He resigned as the chairman of the Group while remaining as an executive Director on 7 February 2012. On 6 October 2010, 26 November 2010 and 5 January 2011, Mr. Zeng Lingchen, Mr. Gong Ting and Mr. Chultemsuren Gankhuyag were appointed as executive Directors and entered into letters of appointment respectively. On 7 February 2012, Ms. Yu Xiao Min was appointed as an executive Director and the chairman of the Company and entered into a letter of appointment.

Independent non-executive Directors

The independent non-executive Directors have entered into letters of appointment. The letters of appointment of Mr. Zhang Ying and Ms. Wen Huiying were renewed for terms of one year commencing on 21 October 2011 and 6 November 2011, respectively. Mr. Hung Bingxian was appointed as independent non-executive Director in October 2012 and entered into a letter of appointment.

The aforesaid service agreements and letters of appointment do not expressly require the Company to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration in order to terminate the service agreements.

Save as aforesaid and as at the Latest Practicable Date, there is no existing or proposed service contract of the Directors, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of the expert, who has given opinions contained in this circular:

Name	Qualification
Grand Vinco Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO.

Vinco Capital has given and has not withdrawn their written consents to the issue of this circular with the inclusion of its reports, letters or opinions as set out in this circular and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, Vinco Capital was not beneficially interested in the share capital of any member of the Group, nor did they have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which were, since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that as at the Latest Practicable Date, save as the potential impairment on the Group's assets (including goodwill) as disclosed in the profit warning announcement dated 19 March 2013, and the risk in the Group losing the three forests in Cambodia due to the cancellation of the economic land concessions by the Cambodian Government if the Group does not complete in 2013 most of the plantation shortfall for 2011 and 2012 (as detailed in the section headed "letter from the board" of this circular), there was no material adverse change in the financial or trading position of the Group since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any businesses that compete or may compete with the business of the Group or have any other conflicts of interests with the Group.

9. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2011 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to any members of the Group, or are proposed to be acquired or disposed of by, or leased to any members of the Group).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents of the Group will be available for inspection during business hours on any day (other than Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours at the principal place of business of the Company in Hong Kong at 8th Floor, Teda Building, 87 Wing Lok Street, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (i) the Loan Agreement; and
- (ii) the service contracts of the Directors as referred to in the paragraph headed “Directors’ Service Contracts” to this appendix.

NOTICE OF SPECIAL GENERAL MEETING



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 SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Asean Resources Limited (the “**Company**”) will be held at 10:00 a.m. on 23 July 2013 at Falcon Room I, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution.

ORDINARY RESOLUTION

“**THAT**

- (a) the loan agreement dated 21 May 2013 (the “**Loan Agreement**”) entered into between Mr. Zhang Zhenzhong (the “**Lender**”) as lender and Keen Wood Group Limited (“**Keen Wood**”), a wholly owned subsidiary of the Company, as borrower, a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purposes of identification, and the terms and conditions thereof and the transaction contemplated thereunder, including but not limited to the execution of the share charges regarding the charges of the entire issued share capital of each of Forest Glen Group Limited (“**Forest Glen**”) and China Cambodia Resources Limited (“**China Cambodia**”) and the deeds of assignment as security regarding assignment of loans, indebtedness and liabilities owed by each of Forest Glen and China Cambodia to Keen Wood both in favour of the Lender by Keen Wood, be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he/she consider necessary,

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desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Loan Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 8 July 2013

Registered office:
Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

*Head office and principal place
of business in Hong Kong:*
8th Floor,
Teda Building,
87 Wing Lok Street,
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed. Whether or not a member intends to attend the SGM in person, such member is encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.
2. Any member entitled to attend and vote at SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares (the “Shares”) of the Company may appoint more than one proxy to represent him and vote on his behalf at SGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The form of proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the SGM.

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5. Where there are joint holders of any Share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Completion and return of a form of proxy shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.