

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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: 08186)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF ACQUISITION OF AN ADDITIONAL FOREST IN CAMBODIA

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

MEMORANDUM OF UNDERSTANDING IN RESPECT OF ACQUISITION OF ADDITIONAL FOREST IN CAMBODIA

The Board has noted the increase in both the price and the trading volume of the shares of the Company today and wish to state that, save as disclosed below in this announcement, the Board is not aware of any reasons for such increases.

The Board is pleased to announce that further to the completion of the acquisition of the forest (the “First Forest”) with a site area of approximately 9,965 hectares (equivalent to approximately 99.65 million sq.m.) in Cambodia on 22 October 2007, the Company has partially exercised the Option and entered into a non-legally binding MOU with the Vendors on 14 November 2007 for the acquisition of Agri-Industrial Crop, an investment company incorporated in Cambodia which holds the land use right of a forest (the “Second Forest”) adjacent to the First Forest with a site area of approximately 10,000 hectares (equivalent to approximately 100 million sq.m.). As advised by the Vendors, the Second Forest has similar forest vegetation as the First Forest, which contains more than 3 million cubic metres of timber.

The Directors believe that due to the proximity in geographical locations of the First Forest and the Second Forest, the Acquisition will create substantial synergetic value with the First Forest, such as (i) the economy of scale for the Group's wood logging facilities, the sawn wood factory and the wood flooring factory; (ii) the transportation of the timbers logged and (iii) a more efficient and productive planning of the rubber plantation (hence the subsequent latex production). The Directors consider that the Acquisition will not only further strengthen the Group's market position in the natural resources industry in Cambodia, but will also increase the Group's production scale and volume of both timbers and latex, which will result in a further significant improvement in the Group's business profile and financial performance. In addition to the Second Forest, the Company currently holds the Option to acquire two additional plots of forests with an area of approximately 10,000 hectares each in Cambodia.

If the Acquisition is materialised, it may constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules on the part of the Company and the Company will make further announcement(s) in respect of the Acquisition in the event that any Formal Agreement is entered into.

The Board has noted the increase in both the price and the trading volume of the shares of the Company today and wish to state that, save as disclosed below in this announcement, the Board is not aware of any reasons for such increases.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE ACQUISITION

The Board is pleased to announce that, further to the completion of the acquisition of the First Forest on 22 October 2007, the Company has partially exercised the Option and entered into the non-legally binding MOU with the Vendors on 14 November 2007 for the acquisition of Agri-Industrial Crop. Details of the MOU are summarised as follow:

Date:

14 November 2007

Parties to the MOU:

Purchaser : The Company

Vendors : The Vendors, being the legal and beneficial owners of the entire issued share capital of Agri-Industrial Crop

Major terms of the MOU

(i) The Transaction

The Company will acquire the entire issued share capital of Agri-Industrial Crop, an investment company incorporated in Cambodia which holds the land use right of the Second Forest which is adjacent to the First Forest and has a site area of approximately 10,000 hectares (equivalent to approximately 100 million sq.m.). Agri-Industrial Crop will be principally engaged in the forest exploitation, including the clearing up and immediate sale of the timber from the Second Forest and the subsequent rubber cultivation and plantations. In addition, it is represented by the Vendors that Agri-Industrial Crop will obtain from the government of Cambodia the right to exploit the Second Forest for a period of 70 years after payment of all the relevant premium of the exploitation rights of the Second Forest as well as the relevant government taxes, duties and expenses in respect of obtaining and maintaining the forest exploitation rights.

(ii) Formal Agreement

Both the Company and the Vendors will proceed to negotiation with a view to entering into a legally binding Formal Agreement within 60 days from the date of the MOU (or on a later date to be agreed by the parties thereto).

(iii) Earnest Money and Exclusivity

A conditionally refundable Earnest Money of HK\$15 million shall be paid by the Company to the Vendors within 10 business days from the date of the MOU. If no Formal Agreement is entered into within 60 days from the date of the MOU due to reasons which are not caused by the Directors, the Earnest Money will be refunded to the Company in full. In consideration of the Earnest Money, the Vendors and Agri-Industrial Crop will not, within 60 days from the date of the MOU, negotiate with any parties for the Acquisition or any similar transactions.

The Acquisition will be subject to, among other things, the results of the business, financial and legal due diligence reviews to be conducted by the Company in respect of Agri-Industrial Crop, a technical report and a valuation report on the Second Forest prepared by the respective independent professional firms, as well as the terms and conditions, the amount and form of consideration payable and the execution and completion of the Formal Agreement which, as at the date of this announcement, is still subject to the negotiation between the parties to the MOU.

Reasons for the Acquisition

The Group has been engaged in the research, development and provision of medical devices for cancer treatment, and promotion of anticancer drugs in the PRC and medical testing equipment in the PRC and overseas market. Following completion of the acquisition of the First Forest in October 2007, the Group has expanded into the forestry development business in Cambodia and expects to receive the economic benefit derived from the initial clearing up of the First Forest and the subsequent rubber plantation for latex production purpose.

The Directors believe that due to the proximity in geographical locations of the First Forest and the Second Forest, the Acquisition will create substantial synergetic value with the First Forest, such as (i) the economy of scale for the Company's wood logging facilities, the sawn wood factory and the wood flooring factory; (ii) the transportation of the timbers logged and (iii) a more efficient and productive planning of the rubber plantation (hence the subsequent latex production). The Directors

consider that the Acquisition will not only further strengthen the Group's market position in the natural resources industry in Cambodia, but will also increase the Group's production scale and volume of both timber and latex, which will result in a further significant improvement in the Group's business profile and financial performance. In addition to the Second Forest, the Company currently holds the Option to acquire two additional plots of forests with an area of approximately 10,000 hectares each in Cambodia.

CURRENT DEVELOPMENT PROGRESS OF THE FIRST FOREST

Following the completion of the acquisition of the First Forest in October 2007, the Group has commenced the process of clearing up the First Forest including, but not limited to, creating access roads and building living facilities for workers, as well as placing orders for equipment in respect of the establishment of a sawn wood factory and a wood processing factory for the processing of the timbers logged into wood flooring materials. The Group expects to commence logging in commercial scale in January 2008.

GENERAL

If the Acquisition is materialized, it may constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules on the part of the Company and the Company will make further announcement(s) in respect of the Acquisition in the event that any Formal Agreement is entered into.

DEFINITIONS

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

“Acquisition”	:	the acquisition of the entire issued share capital of Agri-Industrial Crop by the Company from the Vendors under the MOU
“Agri-Industrial Crop”	:	Agri-Industrial Crop Development (Cambodia) Co., Ltd, a limited liability company incorporated in the Cambodia
“Board”	:	board of Directors
“Cambodia”	:	Kingdom of Cambodia
“Company”	:	China Asean Resources Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on GEM
“Director(s)”	:	the director(s) of the Company
“Earnest Money”	:	HK\$15 million, being the conditionally refundable earnest money to be deposited by the Company
“Formal Agreement”	:	the formal sale and purchase agreement in relation to the Acquisition, which, subject to the results of the negotiation between the Vendors and the Company, may or may not be entered into
“GEM”	:	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	:	the Rules Governing the Listing of Securities on GEM
“Group”	:	the Company and its subsidiaries
“MOU”	:	the non-legally binding memorandum of understanding dated 14 November 2007 and entered into between the Company and the Vendors setting out the preliminary understanding in relation to the Acquisition
“Option”	:	the call option granted to the Company for the acquisition of the companies owned by the Vendors which hold the land use rights and/or the rights to forest exploitation in Cambodia pursuant to the sale and purchase agreement dated 25 July 2007
“PRC”	:	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Shareholder(s)”	:	shareholders of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Vendors”	:	the shareholders of Agri-Industrial Crop
“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“sq.m.”	:	square metres

By Order of the Board
China Asean Resources Limited
Li Wo Hing
Executive Director & Chief Executive Officer

Hong Kong, 14 November 2007

As at the date of this announcement, the board of Directors of the Company comprises three executive directors, namely, Mr. Li Nga Kuk, James, Mr. Li Wo Hing and Mr. Li Tai To, Titus; one non-executive director, namely Mr. Chen Minshan; and three independent non-executive directors, namely Mr. Fan Wan Tat, Mr. Tam Wai Leung, Joseph and Mr. Chan Kim Chung, Daniel.

This announcement, for which the Directors collectively and individually accept full responsibilities, include 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: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

This announcement will remain on the “Latest Company Announcement” pages of the GEM website at “<http://hkgem.com>” for seven days after the date of the publication.