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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: 08186)

PROGRESS OF DEVELOPMENT OF THE FIRST FOREST AND IN-PRINCIPLE AGREEMENT IN RESPECT OF ACQUISITION OF THE SECOND FOREST IN CAMBODIA

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

DEVELOPMENT OF THE FIRST FOREST

The Board is pleased to announce that the Group has made significant progress in the development of the First Forest. Construction of the access roads to the First Forest and commissioning of the first production line of the sawn wood factory in Cambodia are expected to be completed in February 2008, and commercial production of sawn wood will be commenced in March 2008. Concurrent with its logging progress, the Group has secured purchase orders for sale of sawn timbers and wood flooring materials into the PRC from, including, but not limited to, two large companies in the PRC.

IN-PRINCIPLE AGREEMENT IN RESPECT OF THE SECOND FOREST

The Board is also pleased to announce that the Second Forest has a timber reserve of approximately 2.2 million cubic meters and the initial valuation of the Second Forest is estimated to be approximately HK\$2 billion.

The Board is also pleased to announce that, further to the entering into of the MOU in relation to the possible acquisition of Agri-Industrial Crop, the Company, on 9 January 2008, entered into the In-Principle Agreement with the Vendors, pursuant to which, total consideration of the Acquisition will be not more than HK\$300 million and will be satisfied by way of cash (to be financed by the internal resources of the Group), bond and new Shares to be issued by the Company, which, if so issued, will be issued at an issue price of HK\$0.60 per Share, being the weighted average of the prices of the placing of the Shares conducted by the Company in July 2007, or a combination of any of the above, subject to finalisation of the valuation report prepared by the Independent Valuer.

As at the date of this announcement, the Advisory Board comprises His Excellency Tol Chao, a “Three-Star” General in the Cambodia Army and the Deputy Chief of Cabinet to the Prime Minister of Cambodia, His Excellency Kim Hong Mak, an advisor to the Prime Minister of Cambodia, and Mr. Pheng Muthavy, the deputy head of the Department of Rubber Development of Cambodia.

Reference is made to the Company’s announcement dated 14 November 2007 (the “Announcement”) in relation to, among other things, the signing of the MOU regarding the Company’s possible acquisition of the entire equity interest in Agri-Industrial Crop. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

DEVELOPMENT OF THE FIRST FOREST

The Board is pleased to announce that the Group has made significant progress in the development of the First Forest. Construction of the access roads to the First Forest and commissioning of the first production line of the sawn wood factory in Cambodia are expected to be completed in February 2008, and commercial production of sawn wood will be commenced in March 2008. Concurrent with its logging progress, the Group has secured purchase orders for sale of sawn timbers and wood flooring materials into the PRC from, including, but not limited to, two large companies in the PRC. A Shenzhen-based group listed in the PRC, which is one of the leading suppliers of processed wood products in Asia and the leading supplier of wood flooring products in the PRC for eight consecutive years from 1998 to 2005, has placed purchase orders of US\$32 million (equivalent to approximately HK\$249.6 million), while a large manufacturer and distributor of wood flooring materials and wooden doors under a large state-owned conglomerate in the PRC has also placed orders of US\$5.1 million (equivalent to approximately HK\$39.8 million).

The Group’s wood processing factory for processing logged timbers into wood flooring materials is under construction and purchase orders for machinery and equipment have been placed. The factory is expected to commence commercial production in mid-2008.

IN-PRINCIPLE AGREEMENT IN RESPECT OF THE SECOND FOREST

The Board is also pleased to announce that in order to assist the Company in its negotiation with the Vendors in relation to the possible acquisition of the entire equity interest of Agri-Industrial Crop as detailed in the Announcement, the Company has engaged an independent valuer (the “Independent Valuer”) and an independent forestry technical consultant (the “Independent Forestry Consultant”) to assess the value of the Second Forest. The Second Forest has a site area of approximately 9,555 hectares (equivalent to approximately 96 sq.km.) and is adjacent to the First Forest. According to the draft valuation report prepared by the Independent Valuer based on the draft technical report prepared by the Independent Forestry Consultant, it is estimated that the Second Forest has a timber reserve of approximately 2.2 million cubic meters and the initial valuation of the Second Forest is estimated to be approximately HK\$2 billion.

The Board is also pleased to announce that further to the entering into of the MOU in relation to the possible acquisition of Agri-Industrial Crop, the Company, on 9 January 2008, entered into the non-legally binding in-principle agreement (the “In-Principle Agreement”) with the Vendors, pursuant to which, total consideration of the Acquisition will be not more than HK\$300 million and will be satisfied by way of cash (to be financed by the internal resources of the Group), bond and new Shares to be issued by the Company, which, if so issued, will be issued at an issue price of HK\$0.60 per Share, being the weighted average of the prices of the placing of the Shares conducted by the Company in July 2007, or a combination of any of the above, subject to finalisation of the above mentioned valuation report.

The Directors believe that due to the proximity in terms of the geographical locations of and the nature of the timbers contained in the First Forest and the Second Forest, the Acquisition will create substantial synergistic value with the First Forest, including (i) the economy of scale for the Group’s wood logging facilities, the sawn wood factory and the wood flooring factory in Cambodia; (ii) the substantial increase in timber reserves from the Second Forest for immediate processing; (iii) transportation of the timbers logged and (iv) a more efficient and productive planning of the rubber plantation (hence the subsequent latex production). The Directors (including the independent non-executive Directors) as well as the members of the Advisory Board 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 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 forest with an area of approximately 10,000 hectares each in Cambodia.

As at the date of this announcement, the Advisory Board comprises His Excellency Tol Chao, a “Three-Star” General in the Cambodia Army and the Deputy Chief of Cabinet to the Prime Minister of Cambodia, His Excellency Kim Hong Mak, an advisor to the Prime Minister of Cambodia and the President of the Association of Rubber Development of Cambodia, and Mr. Pheng Muthavy, the deputy head of the Department of Rubber Development of Cambodia.

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.

All amounts in US\$ have been translated in HK\$ at a rate of US\$1 = HK\$7.80 in this announcement, for illustration only.

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

Hong Kong, 9 January 2008

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.

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