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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)

**VERY SUBSTANTIAL ACQUISITION –
ACQUISITION OF THE SECOND FOREST IN CAMBODIA;
VERY SUBSTANTIAL DISPOSAL –
SUB-CONCESSION OF 10% OF THE FIRST FOREST**

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

ACQUISITION OF THE SECOND FOREST

The Board is pleased to announce that, on 20 March 2008, Forest Glen, a wholly-owned subsidiary of the Company, entered into the legally-binding Acquisition Agreement with the Vendor, pursuant to which, Forest Glen conditionally agreed to purchase and the Vendor conditionally agreed to dispose of the entire issued share capital of Agri-Industrial Crop for an aggregate consideration of HK\$270 million, representing a discount of approximately 85.32% to the Valuation of HK\$1,840 million. The Consideration will be satisfied as to HK\$80 million in cash (which is expected to be financed by the internal resources of the Group), as to HK\$120 million by the issue of 200,000,000 Consideration Shares at the Issue Price of HK\$0.60 per Share (which is equivalent to the weighted average of the prices of the placing of the Shares conducted by the Company to raise funds from institutional and professional investors in July 2007) and as to the remaining HK\$70 million by the issue of the Bonds. Upon completion of the Acquisition, Agri-Industrial Crop will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the consolidated financial statements of the Group.

Agri-Industrial Crop is an investment company incorporated in Cambodia and its principal business scopes are exploitation of the Second Forest (including forest clearing and processing of salvage logs into wood products) and rubber tree plantation for the subsequent latex production therein. Agri-Industrial Crop currently holds the land use right of the Second Forest and, as advised by the Cambodian legal advisers to the Company, Agri-Industrial Crop will be granted the exclusive right to exploit the Second Forest for a term of 70 years upon completion of certain administrative procedures with the Cambodian government. The Second Forest is adjacent to the First Forest currently owned by the Group and has a site area of approximately 9,555 hectares (equivalent to approximately 95.55 million sq.m.) with a timber reserve of approximately 2.31 million cubic meters.

SUB-CONCESSION OF THE FIRST FOREST

The Board is also pleased to announce that on 20 March 2008, (Cambodia) Tong Min, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Qiong Hai Agriculture, pursuant to which (Cambodia) Tong Min has conditionally agreed to sub-lease to Qiong Hai Agriculture the Sub-divided Concession Land of approximately 1,000 hectares (equivalent to approximately 10.0 million sq.m.), representing approximately 10% of the total site area of the First Forest, for a term of approximately 70 years from 24 March 2008 to 11 November 2077, being the expiry date of the exclusive forest exploitation rights granted to the Group in respect of the First Forest, at a cash consideration of US\$10.00 million (equivalent to approximately HK\$78.00 million). It is expected that the Company will use the entire proceeds from the Sub-concession for the development of the Group's natural resources business in Cambodia. Having taken into account (i) the consideration of HK\$208.36 million paid by the Company in connection with the acquisition of the First Forest and (ii) the land premium paid by the Group of approximately HK\$55 million to the Cambodian government for obtaining the exclusive exploitation right of the First Forest, it is estimated that the Sub-concession will result in a gain on disposal of approximately HK\$51.58 million for the Company.

Qiong Hai Agriculture is principally engaged in the forestry business. It will initially clear up the Sub-divided Concession Land and subsequently carry out the rubber tree plantation for production of latex during the term of the Cooperation Agreement. The Group will have the first right to process the salvage logs obtained by Qiong Hai Agriculture from the Sub-divided Concession Land while Qiong Hai Agriculture undertakes that it will utilize its distribution network to assist the Group in the sale of its wood products obtained from the First Forest and the Second Forest and the latex produced from the Group's subsequent rubber plantation to the PRC.

The Directors consider that the arrangement under the Cooperation Agreement will not only result in Qiong Hai Agriculture having the same interest in the First Forest as the Group, but will also establish a long-term cooperative relationship with Qiong Hai Agriculture to allow the Group to leverage on Qiong Hai Agriculture's distribution network for the sale of the Group's wood and latex related products to the PRC. All of these, together with the cash proceeds from the Sub-concession for the Group's future development in the natural resources business in Cambodia and the potential gain on disposal of approximately HK\$51.58 million, the Directors (including the independent non-executive Directors) consider that the Sub-concession is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of (i) the Acquisition are greater than 100% and (ii) the Sub-concession are greater than 75%, the Acquisition and the Sub-concession constitute a very substantial acquisition and a very substantial disposal, respectively, for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the transactions contemplated under the Acquisition Agreement and the Cooperation Agreement are subject to the Shareholders' approval at the SGM.

SGM

The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, amongst other things, the transactions contemplated under the Acquisition Agreement (including the allotment and issue of 200,000,000 Consideration Shares under the Specific Mandate) and the Cooperation Agreement. Since no Shareholders have any material interest in the Acquisition Agreement and the Cooperation Agreement, no Shareholders are required to abstain from voting in respect of the resolutions relating to the Acquisition Agreement and the Cooperation Agreement.

GENERAL

The Acquisition Agreement and the Cooperation Agreement are not inter-conditional with each other. A circular containing, amongst other things, further details of (i) the Acquisition Agreement (including the allotment and issue of the Consideration Shares and the issue of the Bonds) and (ii) the Cooperation Agreement; together with (iii) an accountants' report on Agri-Industrial Crop; (iv) unaudited pro-forma financial information on the Group as adjusted by the Acquisition and the Sub-concession; (v) the Technical Report; (vi) the Valuation Report; (vii) a notice convening the SGM and (viii) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENT

Date

20 March 2008

Parties to the Acquisition Agreement

- (i) Forest Glen, being the purchaser and a wholly-owned subsidiary of the Company
- (ii) the Vendor, an Independent Third Party
- (iii) the Company

The Vendor is the sole shareholder of Agri-Industrial Crop. To the best of the Directors' knowledge, belief, and having made all reasonable enquiries, the Company does not have any prior transactions with the Vendor.

Asset to be acquired

The entire issued share capital of Agri-Industrial Crop, an investment company incorporated in Cambodia on 17 September 2007.

Conditions precedent to completion of the Acquisition Agreement

Completion is subject to the satisfaction of the following conditions precedent:

- (i) Forest Glen being satisfied with the results of the due diligence review of Agri-Industrial Crop;
- (ii) the legal opinions, in form and substance satisfactory to Forest Glen, to be issued by the legal advisers in such jurisdiction (including Cambodia) in relation to, among other things, the ownership and business of Agri-Industrial Crop as may be required by Forest Glen;
- (iii) the GEM Listing Committee having granted the listing of, and permission to deal in the Consideration Shares;
- (iv) all other approvals, consents and acts required being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such provisions being obtained from the relevant authority;
- (v) the Board approving and authorizing, among other things, the transactions contemplated the Acquisition Agreement, including the allotment and issue of Consideration Shares and the issue of the Bonds (if applicable);
- (vi) the passing of an ordinary resolution by the Shareholders at the SGM for the approval of the transactions contemplated under the Acquisition Agreement, including the allotment and issue of the Consideration Shares and the grant of the Specific Mandate;
- (vii) all necessary consents and approvals required to be obtained on part of the Vendor, Forest Glen and the Company in respect of the transactions contemplated under the Acquisition Agreement having been obtained;
- (viii) none of the warranties set out in the Acquisition Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (ix) obtaining the approval from the Ministry of Commerce of Cambodia in relation to the transfer of the entire issued share capital of Agri-Industrial Crop from the Vendor to Forest Glen; and
- (x) obtaining the exclusive exploitation rights of the Second Forest by Agri-Industrial Crop.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions (i), (ii) and (viii) only) by Forest Glen on or before 12:00 noon on 30 June 2008 or such later date as Forest Glen, the Company and the Vendor may agree from time to time, the obligations of the parties to the Acquisition Agreement shall cease and determine (save and except for certain provisions such as confidentiality) and neither party shall have any claim under the Acquisition Agreement against the others of them save in respect of any antecedent breaches of the Acquisition Agreement. Conditions numbered (iii), (iv), (v), (vi), (vii), (ix) and (x) may not be waived by any of the parties thereto.

Completion of the Acquisition Agreement

Completion of the Acquisition Agreement shall take place on the fifth business day after the date of fulfillment (or waiver) of the last of the above conditions or such other date as may be agreed in writing among the parties to the Acquisition Agreement.

Consideration

The aggregate consideration for the Acquisition is HK\$270 million which will be satisfied as to:

- (i) HK\$80 million as the Cash Consideration;
- (ii) HK\$120 million by the issue of 200,000,000 Consideration Shares to the Vendor (or his nominees) at the Issue Price of HK\$0.60 per Share; and
- (iii) HK\$70 million by the issue of the Bonds to the Vendor (or his nominees) by the Company.

The Consideration of HK\$270 million was determined after arm's length negotiation amongst the parties to the Acquisition Agreement, with reference to, particularly, the Valuation on the fair market value of Agri-Industrial Crop as at 31 December 2007 of approximately HK\$1,840 million as stated in the draft Valuation Report. The principal assumptions upon which the Valuation is prepared include (i) Agri-Industrial Crop being granted the exclusive exploitation right by the Cambodian government; (ii) the operation of Agri-Industrial Crop to be carried out on a continuous basis for a term of 70 years under the exclusive exploitation right of the Second Forest and there being no major changes in the business environment that Agri-Industrial Crop is currently and/or will be operating in; (iii) there being no significant fluctuation regarding the prices for both timber and rubber from the existing market prices and their respective assumed growth rates. The draft Valuation Report is prepared based on the Technical Report and researches conducted by the Independent Valuer. The Consideration represented a discount of approximately 85.32% to the Valuation, which is calculated by discounting the future cash flow derived from the Second Forest to the Group. Having considered the discussion with the Independent Valuer and information available to the Directors including, but not limited to, the future development of the Second Forest, the risk factors, industry prospects, the underlying calculation and assumptions of the Valuation, the Directors are of the view that the Valuation Report, including the forecast involved, was prepared after due and careful enquiry. The Valuation Report, together with the letters from the Company's reporting accountants and financial adviser pursuant to Rule 19.62 of the GEM Listing Rules will be included in the circular to be despatched to the Shareholders.

In view of the substantial discount of the Valuation, the synergies to be created between the First Forest and the Second Forest, the further strengthening of the Group's natural resources business in Cambodia, the Directors (including the independent non-executive Directors) have considered the terms and conditions of the Acquisition Agreement, in particular, the Consideration, are fair and reasonable and the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole.

The Cash Consideration

Pursuant to the MOU signed on 14 November 2007, the Earnest Money of HK\$15 million had been paid by the Company. The remaining balance of the Cash Consideration of HK\$65 million is expected to be financed by internal resources of the Group. Under the Acquisition Agreement, an additional HK\$20 million will be paid to the Vendor as refundable deposit (the “Refundable Deposit”) upon signing of the Acquisition Agreement while the remaining HK\$45 million will be paid to the Vendor upon Completion. In the event the Acquisition Agreement is terminated pursuant to the Acquisition Agreement, the Vendor shall refund the Earnest Money and the Refundable Deposit without interest to the Group within seven business days after termination of the Acquisition Agreement.

The Consideration Shares

As at the date of this announcement, there are 1,705,000,000 Shares in issue, the 200,000,000 Consideration Shares represent approximately (i) 11.73% of the existing issued share capital of the Company and (ii) 10.50% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The 200,000,000 Consideration Shares will be allotted and issued upon Completion under the Specific Mandate which is proposed to be granted by the Shareholders to the Directors at the SGM.

The Issue Price was determined after arm’s length negotiation between the Company and the Vendor and :

- (i) represents a premium of approximately 233.33% over the closing price of HK\$0.18 per Share on the Last Trading Day;
- (ii) represents a premium of approximately 200.00% over the average closing price of approximately HK\$0.20 per Share for the last 5 trading days up to and including the Last Trading Day; and
- (iii) represents a premium of approximately 160.87% over the average closing price of approximately HK\$0.23 per Share for the last 30 trading days up to and including the Last Trading Day;
- (iv) represents a premium of approximately 150% over the audited consolidated net asset value of the Company per Share of approximately HK\$0.24 as at 31 December 2007 (based on the audited consolidated net assets value of approximately HK\$405.14 million as at 31 December 2007 and the total number of 1,705,000,000 Shares as at the date of this announcement); and
- (v) is equivalent to the weighted average of the prices of the placing of the Shares conducted by the Company to raise funds from institutional and professional investors in July 2007.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Issue Price and the allotment and issue of the Consideration Shares are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Lock-up period

The 200,000,000 Consideration Shares are subject to a lock-up period of 6 months from the date of issue. The Vendor has undertaken that, during the aforesaid lock-up period, the Vendor and/or his nominees will not sell, transfer, assign, mortgage, pledge or otherwise dispose of the interest in such number of 200,000,000 Consideration Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Consideration Shares.

The Bonds

Pursuant to the Acquisition Agreement, the Company will issue the Bonds in the principal amount of HK\$70 million upon Completion. The Bonds will include terms to the following effect:

- Principal amount : HK\$70 million
- Issue date : On the date of Completion, which under the Acquisition Agreement is provided to be the fifth business days after the date of fulfillment (or waiver) of the last condition set out in the Acquisition Agreement or such other date as the parties to the Acquisition Agreement may agree in writing as detailed in the paragraph headed “Conditions Precedent to completion of the Acquisition Agreement” under the section headed “The Acquisition Agreement”
- Maturity date : The date falling the second anniversary of the date of issue of the Bonds
- Interest rate : 2% per annum payable on a semi-annual basis
- Transferability : Subject to the applicable laws and regulations, the Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1 million to any party other than a connected person of the Company
- Redemption : The Company shall have the right at any time during the period commencing from the date immediately following the issue date of the Bonds and expiring on the maturity date thereof to redeem the whole or part of the outstanding Bonds in integral multiples of HK\$1 million at the principal amount (together with interest accrued thereon and not yet settled) of the Bonds to be redeemed

The holder(s) of the Bonds shall not have any rights to request for the redemption of the whole or any part of the Bonds (save under circumstances when there is an event of default)

There will not be any premium or discount to the repayment obligations under the Bonds for any early redemption

- Mandatory redemption : The instrument constituting the Bonds contained an events of default provision which provides that on the occurrence of certain events of default specified therein (including, among other things, default made by the Company in the performance of the instrument constituting the Bonds; dissolution of the Company and/or its major subsidiaries; disposal of all or substantially all of the assets by the Company or a receiver is appointed of or a distress is levied on the assets of the Company), holder of the Bonds may, unless such event of default has been waived in writing by it, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Bonds at the principal amount (together with interest accrued thereon and not yet settled) of the outstanding Bonds
- Purchase of the Bonds : The Company or its subsidiaries may at any time and from time to time before the maturity date of the Bonds elect to purchase the Bonds from the holder(s) thereof at any price as agreed between them. However, the Company or its subsidiaries is not obliged to purchase such Bonds, and will do so only if the proposed price and other terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, if such purchase proceeds, the Company will ensure compliance with the applicable requirements of the GEM Listing Rules

INFORMATION ON AGRI-INDUSTRIAL CROP AND THE SECOND FOREST

Agri-Industrial Crop is an investment company with limited liability incorporated in Cambodia on 17 September 2007 and its issued share capital is wholly-owned by the Vendor. The principal business scopes of Agri-Industrial Crop are exploitation of the Second Forest (including forest clearing and processing of salvage logs into wood products) and rubber tree plantation for subsequent latex production therein. According to the unaudited management account of Agri-Industrial Crop, since the date of its incorporation up to 29 February 2008, Agri-Industrial Crop has not recorded any revenue and its net loss before and after tax amounted to approximately US\$0.01 million (equivalent to approximately HK\$0.08 million), respectively. As at 29 February 2008, the total assets and net assets of Agri-Industrial Crop amounted to US\$0.99 million (equivalent to approximately HK\$7.72 million), respectively. After Completion, Agri-Industrial Crop will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

The Second Forest has a total site area of approximately 9,555 hectares (equivalent to approximately 95.55 million sq.m.) with a timber reserve of approximately 2.31 million cubic metres. The Second Forest is located in Kratie District, Kratie Province, Cambodia and is adjacent to the First Forest owned by the Group. Upon Completion, Agri-Industrial Crop will be responsible for the initial clearing up of the Second Forest and the tree logged from the Second Forest will be processed by the production facilities established by the Group into different wood products such as sawn wood and other value added wood products (such as flooring materials) for subsequent export by the Group.

As advised by the Cambodian legal advisers to the Company, an Independent Third Party, the relevant provincial government of Cambodia has issued a land certificate to Agri-Industrial Crop in respect of the Second Forest and upon completion of certain administrative procedures with the relevant Cambodian government authorities, Agri-Industrial Crop will be granted the exclusive forest

exploitation rights for a term of 70 years. Based on the relevant laws and regulations of Cambodia, the Cambodian legal advisers to the Company are of the view that all the administrative works in respect of the granting of the said exclusive exploitation rights of the Second Forest are in their final process and that there is no material legal impediment for Agri-Industrial Crop to obtain the exclusive exploitation rights in respect of the Second Forest. The Vendor confirms that no premium will be required to be paid by the Company in connection with obtaining the exclusive forest exploitation rights of the Second Forest from the Cambodian government.

THE SUB-CONCESSION AND THE COOPERATION AGREEMENT

Date

20 March 2008

Parties to the Cooperation Agreement

- (i) (Cambodia) Tong Min, a wholly-owned subsidiary of the Company
- (ii) Qiong Hai Agriculture, an Independent Third Party, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Qiong Hai Agriculture is independent of the Vendor and was approached through the Company's business network.

Major terms of the Cooperation Agreement

Under the Cooperation Agreement, the Sub-divided Concession Land of approximately 1,000 hectares (equivalent to approximately 10 million sq.m.), representing approximately 10% of the total site area of the First Forest, will be subleased to Qiong Hai Agriculture by the Group for a term of approximately 70 years from 24 March 2008 to 11 November 2077, being the expiry date of the exclusive forest exploitation rights granted to the Group in respect of the First Forest, at a cash consideration of US\$10 million. In the event that the period of the exclusive forest exploitation right of the First Forest is extended by the Cambodian government, Qiong Hai Agriculture has the right to extend the term of the Cooperation Agreement up to the extended expiry date without any further consideration, provided that Qiong Hai Agriculture has given (Cambodia) Tong Min a written notice at least one year prior to the expiration date of the Sub-concession under the Cooperation Agreement.

Qiong Hai Agriculture is principally engaged in the forestry business. It will initially clear up the existing trees in the Sub-divided Concession Land and subsequently carry out the rubber tree plantation for production of latex during the term of the Cooperation Agreement. The Group will have the first right to process the salvage logs obtained by Qiong Hai Agriculture from the Sub-divided Concession Land, while Qiong Hai Agriculture undertakes that it will utilize its distribution network to assist the Group in the sale of its wood products obtained from the First Forest and the Second Forest and the latex produced from the subsequent rubber plantation in to PRC.

Conditions Precedent to completion of the Cooperation Agreement

Completion of the Cooperation Agreement is subject to the satisfaction of the following conditions precedent:

- (i) payment of the first annual land fee by (Cambodia) Tong Min in connection with the First Forest as determined by the Ministry of Economy and Finance of Cambodia; and

- (ii) the passing of an ordinary resolution by the Shareholders at the SGM for the approval of the transactions contemplated under the Cooperation Agreement.

Consideration

The consideration of the Sub-concession of US\$10.00 million is determined after arm's length negotiation between the Group and Qiong Hai Agriculture. Having taken into account of (i) the consideration of HK\$208.36 million paid by the Company in connection with the acquisition of the First Forest and (ii) the land premium paid by the Group of approximately HK\$55 million to the Cambodian government for obtaining the exclusive exploitation right to the First Forest; (iii) the Sub-divided Concession Land accounting for approximately 10% of the total area of the First Forest and (iv) the Group having not logged any of the trees located in the Sub-divided Concession Land prior to the Sub-concession, it is estimated that the Sub-divided Concession Land had a book value of approximately HK\$26.42 million as at 31 December 2007 and no profit (both before and after taxation and extraordinary items) has been derived from the Sub-divided Concession Land since completion of the acquisition of the First Forest in October 2007. On this basis, it is estimated that the Sub-concession will result in a gain on disposal of approximately HK\$51.58 million for the Company. The Company intends to use the entire cash proceeds from the Sub-concession in the development of the Group's natural resources business in Cambodia.

The Directors consider that the arrangement under the Cooperation Agreement will not only result in Qiong Hai Agriculture having the same interest in the First Forest as the Group, but will also establish a long-term cooperative relationship with Qiong Hai Agriculture to allow the Group to leverage on Qiong Hai Agriculture's distribution network for the sale of the Group's wood and latex related products. All of these, together with the cash proceeds from the Sub-concession to be received by the Group as additional funding to its future development in the natural resources business in Cambodia, the potential gain on disposal of approximately HK\$51.58 million and the fact that the consideration upon acquisition of the First Forest has represented a substantial discount to its valuation (as detailed in the Company's circular dated 7 September 2007), the Directors (including the independent non-executive Directors) considered that the terms of the Cooperation Agreement, including the consideration of the Sub-concession of US\$10.00 million are fair and reasonable and the Sub-concession is in the interest of the Company and the Shareholders as a whole.

The consideration will be payable by Qiong Hai Agriculture as to (i) US\$4 million by 31 March 2008 (the "First Purchase Money") and (ii) the remaining US\$6 million by three equal installments on 30 June, 30 September and 31 December 2008, respectively. Within 90 days from receipt of the First Purchase Money, (Cambodia) Tong Min will be required to make registration with the relevant Cambodian government authorities.

CURRENT STATUS OF THE FIRST FOREST AND REASONS FOR AND BENEFITS OF THE ACQUISITION AND DISPOSAL

Since completion of the acquisition of the First Forest in October 2007, the Group has expanded its business from provision of medical devices to natural resources business in Cambodia.

Industry background

Timber and rubber are two of the most common raw materials being applied in a wide range of industries. According to International Tropical Timber Organization (“ITTO”), the production and domestic consumptions of timbers in the PRC were approximately 98.8 million and 128.9 million cubic metres in 2006 respectively, representing a shortfall of approximately 30.1 million cubic metres. ITTO estimated that the production and domestic consumptions of timbers in the PRC would reach approximately 105.5 million and 135.9 million cubic metres respectively by 2007, representing a shortfall of approximately 30.4 million cubic metres. The strong appetite for natural resources has also been reflected in the PRC’s consumption of rubber. According to China Rubber Industry Association, for the nine months ended 30 September 2007, consumption of rubber amounted to approximately 1.8 million cubic metres, representing a growth rate of approximately 25.2% as compared to the corresponding period in the previous year.

Demand for and the selling prices of timber and rubber are also often considered to be positively correlated with the overall economic condition. According to the National Bureau of Statistics of the PRC, the PRC recorded a gross domestic product (“GDP”) value of approximately RMB24,661.9 billion for 2007, representing a growth rate of approximately 17.8% from 2006. In particular, the GDP derived from the secondary industry, namely, the manufacturing sector, was approximately RMB12,138 billion for 2007, representing a growth rate of approximately 19.0% as compared to 2006. Given the rapid economic development in the PRC, it is expected that the growth in the manufacturing and consumer sectors is expected to continue to drive the selling prices of both timber and rubber.

Reasons for and benefits of the Acquisition and current status of the First Forest

After completion of the acquisition of the First Forest in October 2007, the Company has been continuously making significant progress in the development of the First Forest, including the establishment of the access roads to the First Forest and the production lines of its sawn wood factory. The production lines of the Group’s sawn wood factory have commenced operations and commercial sale of sawn wood is expected to commence in April 2008. Upon Completion, the Company’s forest resources will almost double to approximately 19,520 hectares, with timber reserve to be increased by approximately 71.96% to approximately 5.52 million cubic metres.

Given the existing production and logging facilities of the Group and close proximity in both the geographic locations and the timber categories between the First Forest and the Second Forest, the Directors are of the view that the Acquisition will create substantial synergistic value to speed up the expansion of the Group’s natural resources business in Cambodia and due to (i) economy of scale for the Company’s wood logging facilities and better utilization of the Group’s production capacity in its sawn wood factory and the wood flooring factory; (ii) transportation of the timbers logged from the First Forest and the Second Forest can be arranged in a more systematic and efficient manner; and (iii) a more efficient and productive planning of the future rubber plantation (hence the subsequent latex production) can be achieved. Based on the above, the Directors (including the non-executive Directors) are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

Reasons for and benefits of the Sub-concession

The Directors consider that the arrangement under the Cooperation Agreement will not only result in Qiong Hai Agriculture having the same interest in the First Forest as the Group, but will also establish a long-term cooperative relationship with Qiong Hai Agriculture to allow the Group to leverage on Qiong Hai Agriculture's distribution network for the sale of the Group's wood and latex related products. In addition, the Company will be able to realize cash proceeds of US\$10.00 million as additional funding for its development in the natural resources business in Cambodia.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company as at (i) as at the date of this announcement and (ii) immediately after the issue of the Consideration Shares:

	As at the date of this announcement		Immediately after the issue of the Consideration Shares	
	No. of Shares	%	No. of Shares	%
People Market Management Limited (<i>Note 1</i>)	193,360,000	11.34	193,360,000	10.15
Mr. Li Wo Hing*	37,470,000	2.20	37,470,000	1.97
Mr. Li Nga Kuk, James*	32,800,000	1.92	32,800,000	1.72
Mr. Li Tai To, Titus*	16,400,000	0.96	16,400,000	0.86
Ms. Zhang Jie (<i>Note 2</i>)	266,666,667	15.64	266,666,667	14.00
Mr. Pen Sophal (<i>Note 2</i>)	133,333,333	7.82	133,333,333	7.00
Vendor	–	–	200,000,000	10.50
Other Public Shareholders	1,024,970,000	60.12	1,024,970,000	53.80
	<u>1,705,000,000</u>	<u>100.00</u>	<u>1,905,000,000</u>	<u>100.00</u>

* *The executive Directors*

Note 1: A company incorporated in the BVI which is owned as to approximately 70.58% by Mr. Li Wo Hing

Note 2: Ms. Zhang Jie and Mr. Pen Sophal were the vendors of the First Forest

IMPLICATION OF THE LISTING RULES

Since the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the (i) Acquisition are greater than 100% and (ii) the Sub-concession are greater than 75%, the Acquisition and the Sub-concession constitute a very substantial acquisition and a very substantial disposal, respectively for the Company under Chapter 19 of the GEM Listing Rules and, accordingly, the transactions contemplated under the Acquisition Agreement and the Cooperation Agreement are subject to the Shareholders' approval at the SGM.

SGM

The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, amongst other things, the transactions contemplated under the Acquisition Agreement (including the allotment and issue of 200,000,000 Consideration Shares under the Specific Mandate) and the Cooperation Agreement. Since no Shareholders have any material interest in the Acquisition Agreement and the Cooperation Agreement, no Shareholders are required to abstain from voting in respect of the resolutions relating to the Acquisition Agreement and the Cooperation Agreement.

GENERAL

The Acquisition Agreement is not inter-conditional with the Cooperation Agreement. A circular containing, amongst other things, further details of (i) the Acquisition Agreement; (ii) the Cooperation Agreement; together with (iii) an accountants' report on Agri-Industrial Crop; (iv) unaudited pro-forma financial information on the Group as adjusted by the Acquisition and the Sub-concession; (v) the Technical Report on the Second Forest; (vi) the Valuation Report; (vii) a notice convening the SGM and (viii) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Acquisition”	:	the proposed acquisition by Forest Glen of the entire issued share capital of Agri-Industrial Crop from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	:	the conditional sale and purchase agreement between Forest Glen, the Company and the Vendor dated 20 March 2008 in respect of the Acquisition
“Agri-Industrial Crop”	:	Agri-Industrial Crop Development (Cambodia) Co., Ltd., a company incorporated in Cambodia with liability
“associates”	:	the meaning ascribed to it in the GEM Listing Rules
“Board”	:	the board of Directors
“Bonds”	:	bonds to be issued by the Company with an aggregate principal amount of up to HK\$70 million to settle part of the Consideration
“BVI”	:	British Virgin Islands
“Cambodia”	:	Kingdom of Cambodia
“(Cambodia) Tong Min”	:	(Cambodia) Tong Min Group Engineering Co., a wholly-owned subsidiary of the Company
“Cash Consideration”	:	HK\$80 million in cash to be paid to settle part of the Consideration

“Company”	:	China Asean Resources Limited, a company with limited liabilities incorporated in Bermuda, the issued shares of which are listed on GEM
“Completion”	:	completion of the Acquisition Agreement, being the fifth business day after the conditions set out in the Acquisition Agreement have been fulfilled or waived (as the case may be), or such other date as the parties to the Acquisition Agreement may agree in writing
“connected person”	:	the meaning ascribed to it in the GEM Listing Rules
“Consideration”	:	the aggregate consideration of HK\$270 million for the Acquisition
“Consideration Shares”	:	the 200,000,000 new Shares proposed to be issued at the Issue Price to settle part of the Consideration
“Directors”	:	the directors of the Company
“Earnest Money”	:	the earnest money of HK\$15 million paid by the Company pursuant to the MOU
“Enlarged Group”	:	the Group immediately after completion of the Acquisition
“First Forest”	:	the forest owned by the Company pursuant to the sale and purchase agreement dated 25 July 2007 (as detailed in the Company’s announcement dated 25 July 2007) with a site area of 9,965 hectares (equivalent to approximately 996.5 million sq.m.) located in Kratie District, Kratie Province, Cambodia
“Forest Glen”	:	Forest Glen Group Limited, a company incorporated in the BVI with limited liabilities and a wholly-owned subsidiary of the Company
“GEM”	:	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
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	:	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with, the Company, any director, chief executive, management shareholders or substantial shareholders of the Company and its subsidiaries or any of their respective associates and is not a party acting in concert (as defined in the Takeovers Code) with and is independent of the vendors of the First Forest, management Shareholder(s) and substantial Shareholders

“Independent Valuer”	:	BMI Appraisals Limited, an Independent Third Party and a valuer engaged by the Company to conduct the Valuation
“Issue Price”	:	HK\$0.60 per Share, being the issue price of the Consideration Shares
“Last Trading Day”	:	20 March 2008, being the last trading day prior to the release of this announcement
“MOU”	:	the non legally-binding memorandum of understanding entered into between the Company and the Vendor on 14 November 2007 which set out the preliminary understanding in relation to the Acquisition
“PRC”	:	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qiong Hai Agriculture”	:	瓊海鑫能農業開發有限公司 (Qiong Hai Xin Neng Agriculture Development Company Limited*), a company incorporated in the PRC and an Independent Third Party
“Second Forest”	:	the forest with a site area of 9,555 hectares (equivalent to approximately 95.55 million sq.m.) located in Kratie District, Kratie Province, Cambodia and is adjacent to the First Forest
“SGM”	:	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, the transactions contemplated under (i) the Acquisition Agreement (including the allotment and issue of the Consideration Shares) and (ii) the Cooperation Agreement
“Share(s)”	:	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	:	holder(s) of Shares
“Specific Mandate”	:	a specific mandate proposed to be granted to the Directors in relation to the issue of the 200,000,000 Consideration Shares by the Shareholders at the SGM
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Sub-concession”	:	the subleasing of the Sub-divided Concession Land to Qiong Hai Agriculture by the Group for an initial period of approximately 70 years pursuant to the Cooperation Agreement
“Sub-divided Concession Land”	:	The approximately 1,000 hectares of land located in the First Forest under the Sub-concession
“Takeovers Code”	:	The Codes on Takeovers and Mergers of the Securities and Futures Commission

“Technical Adviser”	:	the Research Institute of Tropical Forestry of China Academy of Forestry* (中國林業科學研究院熱帶林業研究院), the technical advisory firm appointed by the Company to perform a technical review on the Second Forest, which is an Independent Third Party
“Technical Report”	:	the technical report on the Second Forest prepared by the Technical Adviser
“Valuation”	:	valuation of Agri-Industrial Crop as at 31 December 2007 as stated in the Valuation Report
“Valuation Report”	:	the draft valuation report on Agri-Industrial Crop prepared by the Independent Valuer
“Vendor”	:	張正偉 (Mr. Zhang Zheng Wei*), being the sole shareholder of Agri-Industrial Crop and an Independent Third Party
“sq.m.”	:	square metres
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	:	United States dollars, the lawful currency of the United States
“%”	:	per cent.

* for identification only

All amounts in US\$ have been translated in HK\$ at a rate of US\$1 = HK\$7.8 in this announcement for illustration purpose only

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

Hong Kong, 20 March 2008

As at the date of this announcement, the Board 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” page of the GEM website at “<http://hkgem.com>” for seven days after the date of the publication.