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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)

SERVICES AGREEMENT IN RELATION TO THE FORESTRY DEVELOPMENT AND WOOD PROCESSING BUSINESSES IN THE KINGDOM OF CAMBODIA

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

This announcement is made pursuant to Rule 17.10(1) of the GEM Listing Rules.

SERVICES AGREEMENT

The Board is pleased to announce that on 20 November 2008, China Cambodia Resources, a wholly-owned subsidiary of the Company, entered into the Services Agreement with Eastwood Link, pursuant to which Eastwood Link shall pay to the Group a consideration of US\$10 million (equivalent to approximately HK\$78.0 million) for being appointed as the sole provider of the Services to the Group on the Designated Land of approximately 1,000 hectares (representing approximately 10.0% of the area of the First Forest or 5.1% of the total area of both the First Forest and Second Forest owned by the Group) and Eastwood Link shall be entitled to receive the Profit from the date of the Services Agreement to 31 December 2010 up to an aggregate amount of US\$15 million (equivalent to approximately HK\$117.0 million) generated from the sale of wood products manufactured from the trees currently standing on the Designated Land.

The Services Agreement will lapse and the Group will be entitled to the Profit generated from the sale of wood products manufactured from the remaining trees standing on the Designated Land after the Profit attributable to Eastwood Link reaches US\$15 million. On the other hand, if the Profit generated during the Service Term is less than US\$15 million, Eastwood Link shall have no claim whatsoever against the Group.

Upon signing of the Services Agreement, the consideration of US\$10 million will be recognised as the revenue of the Group and the cash proceeds is expected to be utilised for purposes including, but not limited to, acquisition of additional forests resources in the Kingdom of Cambodia and/or further enhancement of its existing tree logging and wood processing facilities.

The Board is of the view that the entering into of the Services Agreement represents a major development for the Group's future forestry and wood processing business in the Kingdom of Cambodia and, therefore, this announcement is made in accordance with Rule 17.10(1) of the GEM Listing Rules. Save as disclosed herein, the Board is not aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price sensitive nature.

SERVICES AGREEMENT

Date

20 November 2008

Parties to the Services Agreement

- (i) China Cambodia Resources; and
- (ii) Eastwood Link, a company principally engaged in the forestry development business in the Kingdom of Cambodia, including, amongst others, tree logging, processing of timber into wood products, transportation of trees and wood products as well as the trading of wood products.

To the best of the knowledge, information and belief of the Company's directors, and having made all reasonable enquiries, the Group has not had any prior transactions with Eastwood Link or its ultimate beneficial owners prior to the entering into of the Services Agreement.

Service Term

From the date of the Services Agreement to 31 December 2010

The Services

Eastwood Link shall become the sole provider for providing certain services to the Group on the Designated Land, including, (i) logging of the trees on the Designated Land; (ii) processing the logs into wood products; and (iii) selling such wood products.

Eastwood Link shall be entitled to receive the Profit up to an aggregate amount of US\$15 million generated from the sale of wood products manufactured from the trees currently standing on the Designated Land from the date of the Services Agreement to 31 December 2010. The Services Agreement will lapse and the Group will be entitled to the Profit generated from the sale of wood products manufactured from the remaining trees standing on the Designated Land after the Profit attributable to Eastwood Link reaches US\$15 million. On the other hand, if the Profit generated during the Service Term is less than US\$15 million, Eastwood Link shall have no claim whatsoever against the Group.

The exact amount of the Profit will be agreed by both the Group and Eastwood Link. However, the Group shall have the absolute discretion in determining the final amount of the Profit.

Terms of Payment

Pursuant to the Services Agreement, Eastwood Link shall pay to the Group a consideration of US\$10 million, of which

- (i) US\$1 million (equivalent to approximately HK\$7.8 million) is payable upon signing of the Services Agreement;
- (ii) US\$2 million (equivalent to approximately HK\$15.6 million) is payable on or before 25 December 2008;
- (iii) US\$3 million (equivalent to approximately HK\$23.4 million) is payable on or before 30 April 2009; and
- (iv) US\$4 million (equivalent to approximately HK\$31.2 million) is payable on or before 31 July 2009, or such other date as may be agreed between China Cambodia Resources and Eastwood Link.

Upon signing of the Services Agreement, the consideration of US\$10 million will be recognised as revenue for the Group.

In the event that Eastwood Link fails to pay any of the consideration of US\$10 million in accordance with the above time schedule, the Group shall have the right to set off such amount against the Profit to be received by Eastwood Link.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICES AGREEMENT

Following the completion of the acquisitions of the First Forest and the Second Forest, which, in aggregate, have a forest area of approximately 19,520 hectares and timber reserves of approximately 5.5 million cubic metres, in October 2007 and July 2008, respectively, the Group has expanded its provision of medical devices business into the natural resources business in the Kingdom of Cambodia. Since then, the Group has been continuously making positive progress in the development of the First Forest and the Second Forest.

The Board is of the view that the arrangement under the Services Agreement will not only allow the Group to leverage on Eastwood Link's expertise in the trees logging, wood processing, logistics and sales of wood and the related products so as to speed up the tree logging and development pace of the Designated Land, which is located in the First Forest (representing approximately 10.0% of the area of the First Forest or 5.1% of the total area of both the First Forest and the Second Forest), but will also provide the Group with an additional funding of US\$10 million for further development of its natural resources and wood processing businesses, including, but not limited to, acquisition of additional forests in the Kingdom of Cambodia and/or further enhancement of its existing tree logging and wood processing facilities. Accordingly, the Board considers that the entering into of the Services Agreement is in the interest of the Company and its shareholders as a whole.

GENERAL

As the arrangement under the Services Agreement allows the Group to co-operate with a third party which has substantial expertise in the forestry business for implementing a more efficient tree logging and timber processing business model, the Board considers the entering into of the Services Agreement a major development for the Group's future forestry and wood processing business in the Kingdom of Cambodia. This announcement is therefore made in accordance with Rule 17.10(1) of the GEM Listing Rules. Save as disclosed herein, the Board is not aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price sensitive nature.

DEFINITIONS

- “Board” : the board of directors of the Company
- “China Cambodia Resources” : China Cambodia Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
- “Company” : China Asean Resources Limited, a company with limited liability incorporated in Bermuda, the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
- “Designated Land” : the piece of land of approximately 1,000 hectares (equivalent to approximately HK\$10.0 million sq.m.) located in the First Forest
- “Eastwood Link” : Eastwood Link Limited, a limited liability company incorporated in the British Virgin Islands and itself and its respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Company's directors, and having made all reasonable enquiries, being third parties independent of and not connected with the Company and any director, chief executive, management shareholders or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the GEM Listing Rules)
- “First Forest” : the forest with a site area of 9,965 hectares (equivalent to approximately 99.65 million sq.m.) located in Kratie District, Kratie Province, the Kingdom of Cambodia, acquired by China Cambodia Resources pursuant to the sale and purchase agreement dated 25 July 2007 and in which China Cambodia Resources has the right to exploit the natural resources on it
- “GEM Listing Rules” : the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
- “Group” : the Company and its subsidiaries

- “Profit” : the revenue generated from the sale of wood products manufactured from the trees currently standing on the Designated Land as at the date hereof, less (i) the expenses incurred in relation to the logging of trees and sale of wood products, (ii) government taxes and levies, (iii) transportation costs, (iv) insurance premiums, and (v) all other costs related or incidental to the logging and sale of wood products
- “Second Forest” : the forest adjacent to the First Forest, with a site area of 9,555 hectares (equivalent to approximately 95.55 million sq.m.) located in Kratie District, Kratie Province, Kingdom of Cambodia, acquired by the Group pursuant to the sale and purchase agreement dated 20 March 2008 and in which the Group has the right to exploit the natural resources on it
- “Services” : the services to be provided by Eastwood Link to the Group pursuant to the Services Agreement, which include, (i) logging of the trees on the Designated Land and processing the logs into wood products for sale; and (ii) selling such wood products
- “Services Agreement” : the agreement dated 20 November 2008 entered into between China Cambodia Resources and Eastwood Link in relation to the Services
- “sq.m.” : square metres
- “HK\$” : Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
- “US\$” : United States dollars, the lawful currency of the United States of America

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
Leung Sze Yuan Alan
Chairman

Hong Kong, 21 November 2008

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Leung Sze Yuan, Alan, and Mr. Zhang Zhenzhong; two non-executive directors, namely Mr. Li Nga Kuk, James, and Mr. Li Tai To, Titus; 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 of the Company 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 Company's 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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