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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)**

### **Announcement**

**(1) Potential Dispute over the Company's ownership in a subsidiary engaged in Medical Equipment business in China;**

**(2) Formation of a Special Investigation Committee**

The Board wishes to announce that during the course of external audit of its consolidated financial statements for the year ended 31 December 2008, it came to the attention of the Board that the relevant Chinese government records had been amended to the effect that the Company's 65% equity interest in the Medical Equipment Subsidiary had been disposed of without the Company's prior knowledge and approval. The Company has been seeking legal advice from its Chinese legal advisers for the appropriate actions to be taken.

The Board has resolved on the date of this announcement to establish the Special Investigation Committee, comprising Mr. Leung Sze Yuan, Alan, the chairman of the Board and an executive Director, Mr. Tam Wai Leung, Joseph, and Mr. Chan Kim Chung, Daniel, both independent non-executive Directors, for the purpose of, inter alia, (i) investigating the Unauthorised Disposal and (ii) reviewing the internal control procedures and corporate governance policies of the Company.

In light of the uncertainties surrounding the Group's ownership of the Medical Equipment Subsidiary and in the interest of prudence, the Board has made a full provision of approximately HK\$15.65 million for the Medical Equipment Subsidiary in the Group's consolidated financial statements for the year ended 31 December 2008.

Based on the Company's financial statements for the year ended 31 December 2008, the Medical Equipment Subsidiary recorded net profit after taxation of approximately HK\$6.66 million, representing approximately 9.38% of the Group's consolidated net profit after taxation and full provision of the above-mentioned HK\$15.65 million. As at 31 December 2008, the net asset value of the Medical Equipment Subsidiary attributable to the Company amounted to approximately HK\$17.92 million, representing approximately 3.01% of the Group's consolidated net asset value. The management of the Company estimated that up to 31 December 2008, the Company's total investment in the Medical Equipment Subsidiary amounted to approximately HK\$7.61 million.

As stated in the Company's quarterly report for the nine months ended 30 September 2008, the Board has been monitoring the changes in global markets and evaluating the possible impact of the recent financial tsunami on the overall investment and development plans of the Group. Following the granting of the relevant permits for the domestic and export sale of wood products by the government of the Kingdom of Cambodia to the Group in January 2009, it has been the intention of the Company to focus on developing the natural resources business in the Kingdom of Cambodia, i.e. timber and rubber (being the major products of the Group's natural resources business), which are two of the most common raw materials with applications in a wide range of industrial products, and divest its investment in the Medical Equipment Subsidiary and other pharmaceutical businesses in China as and when suitable opportunities arise. Nevertheless, the Unauthorised Disposal was not duly authorised by the Board and the Board will take appropriate steps to rectify the relevant government registration of its 65% equity interest in the Medical Equipment Subsidiary.

The Company will make further announcement(s) to keep the shareholders and potential investors informed of the development of above matters. Meanwhile, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

## **THE UNAUTHORISED DISPOSAL AND THE EVENTS SUBSEQUENT TO IT**

### **Unauthorised Disposal**

During the course of external audit of the Company's consolidated financial statements for the year ended 31 December 2008, it came to the attention of the Board that the business license and other relevant official business registration records (the "Relevant Business Registration Records") had been amended to the effect that the Company had since 10 December 2007 no longer been a shareholder of the Medical Equipment Subsidiary without prior knowledge and approval of the Company. Under this circumstance, the Board had, through its Chinese legal advisers, made enquiries with the Bureau of Administration of Industry and Commerce in Nanjing, Jiangsu Province (江蘇省南京市工商行政管理局) ("Nanjing BAIC") and discovered that two unauthorised sale and purchase agreements (the "Unauthorised Sale and Purchase Agreements"), both dated 10 November 2007, were entered into in the name of the Company and executed by a Director, pursuant to which the Company agreed to dispose of its entire 65% equity interest in the Medical Equipment Subsidiary as to 30% to the Chinese Partner and as to 35% to the First New Shareholder, at a consideration of RMB14.00 million (equivalent to approximately HK\$15.88 million) and RMB1.00 million (equivalent to approximately HK\$1.13 million), respectively. The Unauthorised Sale and Purchase Agreements were duly registered with Nanjing BAIC to the effect that the Medical Equipment Subsidiary was owned as to 65% by the Chinese Partner and as to the remaining 35% by the First New Shareholder. The Director, whose signature was imprinted on the Unauthorised Sale and Purchase Agreements, has confirmed to the Board that he had no knowledge about the Unauthorised Disposal and he had never executed such agreements for and on behalf of the Company.

As at the date of this announcement, a wholly-owned subsidiary of the Company in China had an unsettled balance of RMB2.00 million (equivalent to approximately HK\$2.27 million) (the "Unsettled Balance") payable to the Chinese Partner. Upon the Company's enquiry made to the Chinese Partner about the Unauthorised Disposal, the Chinese Partner alleged that the Unsettled Balance represented part of the aggregate consideration of RMB15.00 million for the Unauthorised Disposal. According to the Company's financial statements for the years ended 31 December 2007 and 2008, the Unsettled Balance has been recognised as an accounts payable and the Chinese Partner has also confirmed to the auditors of the Company, in the course of their annual audit exercise that the Unsettled Balance was recorded as an accounts receivable on its books and records.

## **Events Subsequent to the Unauthorised Disposal**

According to the Relevant Business Registration Records, in 3 November 2008, a domestic company incorporated in China with limited liability became a shareholder of the Medical Equipment Subsidiary (the “Second New Shareholder”) and the registered capital of the Medical Equipment Subsidiary had been increased from US\$1.5 million (equivalent to approximately HK\$11.70 million) to RMB30.00 million (equivalent to approximately HK\$34.02 million). As a result, the registered capital of the Medical Equipment Subsidiary is owned as to 62%, 25% and 13% by the Chinese Partner, the First New Shareholder and the Second New Shareholder, respectively.

## **INFORMATION RELATING TO THE MEDICAL EQUIPMENT SUBSIDIARY**

The Medical Equipment Subsidiary, a sino-foreign joint venture enterprise established in China in September 2002, is principally engaged in the manufacture and sale of medical equipment.

Based on the Company’s financial statements for the year ended 31 December 2008, the Medical Equipment Subsidiary recorded net profit after taxation of approximately HK\$6.66 million, representing approximately 9.38% of the Group’s consolidated net profit after taxation and full provision of the above-mentioned HK\$15.65 million. As at 31 December 2008, the net asset value of the Medical Equipment Subsidiary attributable to the Company amounted to approximately HK\$17.92 million, representing 3.01% of the Group’s consolidated net asset value. The management of the Company estimated that up to 31 December 2008, the Company’s total investment in the Medical Equipment Subsidiary amounted to approximately HK\$7.61 million.

In light of the uncertainties surrounding the Group’s ownership of the Medical Equipment Subsidiary and in the interest of prudence, the Board has made a full provision of approximately HK\$15.65 million for the Medical Equipment Subsidiary in the Group’s consolidated financial statements for the year ended 31 December 2008.

## **THE SPECIAL INVESTIGATION COMMITTEE**

The Company has been seeking legal advice from its Chinese legal advisers for the appropriate actions to be taken since it became aware of the Unauthorised Disposal. As at the date of this announcement, the Board has resolved to establish a special investigation committee, comprising Mr. Leung Sze Yuan, Alan, the chairman of the Board and an executive Director, Mr. Tam Wai Leung, Joseph, and Mr. Chan Kim Chung, Daniel, both independent non-executive Directors (the “Special Investigation Committee”), for the purpose of, inter alia, (i) investigating the Unauthorised Disposal and (ii) reviewing the internal control procedures and corporate governance policies of the Company.

The Special Investigation Committee is authorized to appoint independent professional advisers (including but not limited to accountants and legal advisers) to assist in the investigation of the Unauthorised Disposal and internal review on the Company’s internal control procedures and corporate governance policies. The Special Investigation Committee presently intends to appoint Synthesis Consultancy Limited, an independent consultancy company, to conduct a review on its internal control procedures.

## **FUTURE INTENTION OF THE COMPANY IN RESPECT OF ITS MEDICAL EQUIPMENT BUSINESS**

As stated in the Company's quarterly report for the nine months ended 30 September 2008, the Board has been monitoring the changes in global markets and evaluating the possible impact of the recent financial tsunami on the overall investment and development plans of the Group. Following the granting of the relevant permits for the domestic and export sale of wood products by the government of the Kingdom of Cambodia to the Group in January 2009, it has been the intention of the Company to focus on developing the natural resources business in the Kingdom of Cambodia, i.e. timber and rubber (being the major products of the Group's natural resources business), which are two of the most common raw materials with applications in a wide range of industrial products, and divest its investment in the Medical Equipment Subsidiary and other pharmaceutical businesses in China as and when suitable opportunities arise. Nevertheless, the Unauthorised Disposal was not duly authorised by the Board and the Board will take appropriate steps to rectify the relevant government registration of its 65% equity interest in the Medical Equipment Subsidiary.

**The Company will make further announcement(s) to keep the shareholders and potential investors informed of the development of above matters. Meanwhile, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 26 March 2009

## **DEFINITIONS**

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

“Board”	:	board of Directors
“Company”	:	China Asean Resources Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“China”	:	the People's Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Special Administrative Region of Macau and Taiwan
“Chinese Partner”	:	Innova Science & Technology Co., Ltd. (南京英諾華科技有限公司), a company incorporated in China with limited liability
“Director(s)”	:	Directors of the Company

“First New Shareholder”	:	Great Profit Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	:	the Company and its subsidiaries
“Medical Equipment Subsidiary”	:	Sinnowa Medical Science & Technology Co., Ltd (南京神州英諾華醫療科技有限公司), a sino-foreign joint venture enterprise established by the Company in September 2002 with its registered capital owned as to 65% by the Company and as to the remaining 35% by the Chinese Partner
“Unauthorised Disposal”	:	the unauthorised disposal of the Company’s 65% equity interest in the Medical Equipment Subsidiary as described in the sub-paragraph headed “Unauthorised Disposal” in this announcement
HK\$	:	Hong Kong dollar, the lawful currency of Hong Kong
RMB	:	Renminbi, the lawful currency of China
US\$	:	United States dollar, the lawful currency of the United States of America
%	:	Per cent

*All amounts in RMB and US\$ in this announcement have been translated in HK\$ at a rate of RMB1.000 = HK\$1.134 and US\$1.00 = HK\$7.80 for illustration purpose only.*

*As at the date of this announcement, the board of Directors of the Company 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 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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