



China Asean Resources Limited

神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

2012
First Quarterly Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of China Asean Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Asean Resources Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- Turnover for the three months ended 31 March 2012 amounted to approximately HK\$110,000 (2011: HK\$Nil).
- The Group's loss before interest, depreciation and amortisation and loss attributable to equity shareholders of the Company for the three months ended 31 March 2012 amounted to approximately HK\$788,000 (2011: HK\$9,686,000) and HK\$5,189,000 (2011: HK\$17,712,000), respectively.
- The Group's basic loss per share is 0.20 Hong Kong cents (2011: 1.48 Hong Kong cents).
- The directors of the Company do not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Asean Resources Limited (the “Company”) herein to announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 31 March	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	2	110	—
Cost of sales		(58)	—
Gross profit		52	—
Other income		3,750	2
Selling and distribution expenses		(195)	(195)
Administrative expenses		(5,619)	(9,493)
Depreciation and amortisation expenses		(4,401)	(3,654)
Finance costs	3	—	(4,372)
Gain on disposal of subsidiary	4	182	—
Share of profit of associates		1,042	—
Loss before taxation		(5,189)	(17,712)
Taxation	5	—	—
LOSS FOR THE PERIOD		(5,189)	(17,712)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,189)	(17,712)
		HK Cents	HK Cents
Basic loss per share	6	(0.20)	(1.48)
		(0.20)	(1.48)

Note:

1. BASIS OF PREPARATION

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

This consolidated quarterly financial information has not been audited.

2. TURNOVER

Turnover recognised during the period is analysed as follows:

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Sales of wood products	110	—

3. FINANCE COSTS

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Imputed interest expenses	—	4,372

Imputed interest expense is calculated using the effective interest method by applying the effective interest rate of 9.97% per annum to the liability component of the convertible bonds that were issued by the Company on 26 November 2010.

All the convertible bonds were fully converted during the year 2011.

4. DISPOSAL OF SUBSIDIARY

On 31 January 2012, the Group disposed of the entire registered capital of Guilin Simei and Biotechnology Limited for a consideration of HK\$220,000.

Details of the net assets disposed of and the gain on disposal are as follows:

	2012
	HK\$'000
Property, plant and equipment	36
Cash at bank and on hand	2
<hr/>	
Net assets disposed of	38
Cash consideration	220
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Gain on disposal of subsidiary	182

5. TAXATION

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2012 (2011: HK\$Nil) as the Group did not have any assessable profits in Hong Kong during the period.

(b) PRC Income Tax

No provision for PRC income tax has been made for the subsidiaries of the Company as they did not have any assessable profits for the three months ended 31 March 2012 (2011: HK\$Nil) determined in accordance with the relevant income tax rules and regulations in the PRC.

(c) Cambodia Tax on Profits

No provision for Cambodia Tax on Profits has been made for the Company's subsidiaries as they did not have any assessable profits for the three months ended 31 March 2012 (2011: HK\$Nil) determined in accordance with the relevant tax rules and regulations in Cambodia.

(d) Deferred taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months ended 31 March 2012 (2011: HK\$Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2012 is based on the loss attributable to equity shareholders of the Company of approximately HK\$5,189,000 (2011: loss of HK\$17,712,000) divided by weighted average number of 2,623,950,965 (2011: 1,192,961,000) ordinary shares in issue during the period.

No diluted loss per share has been presented for the periods ended 31 March 2012 and 2011 as the exercise of share options and the conversion of outstanding convertible bonds would result in an anti-dilutive effect.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: HK\$Nil).

8. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2011	604,213	5,265	8,243	2,043	104,407	(29,843)	694,328
Transactions with owners							
Issue of placing share	58,674	—	—	—	—	—	58,674
Conversion of convertible bonds	73,231	—	—	—	(35,841)	—	37,390
Exchange differences arising on translation of foreign operations	—	—	—	(18)	—	—	(18)
Recognition of equity-settled share based payments	—	—	406	—	—	—	406
Total transactions with owners	131,905	—	406	(18)	(35,841)	—	96,452
Comprehensive income							
Loss for the period	—	—	—	—	—	(17,712)	(17,712)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(17,712)	(17,712)
Balance at 31 March 2011	736,118	5,265	8,649	2,025	68,566	(47,555)	773,068

8. RESERVES (continued)

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2012	972,987	5,265	3,482	2,118	—	(73,809)	(3)	910,040
Transactions with owners								
Lapse of share options	—	—	(1,903)	—	—	1,903	—	—
Exchange differences arising on translation of foreign operation	—	—	—	(16)	—	—	—	(16)
Total transactions with owners	—	—	(1,903)	(16)	—	1,903	—	(16)
Comprehensive income								
Loss for the period	—	—	—	—	—	(5,189)	—	(5,189)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(5,189)	—	(5,189)
Balance at 31 March 2012	972,987	5,265	1,579	2,102	—	(77,095)	(3)	904,835

FINANCIAL REVIEW

Turnover generated by the Group for the three months ended 31 March 2012 amounted to approximately HK\$110,000 (2011: HK\$Nil) from sales of wood products in Cambodia.

Other income for the three months ended 31 March 2012 amounted to approximately HK\$3,750,000. The increase was primarily due to a non-recurring gain of HK\$3,606,000 from the write-back of certain liabilities upon deregistration of a subsidiary in the PRC.

The loss before interest, depreciation and amortisation and loss attributable to equity shareholders of the Company for the three months ended 31 March 2012 amounted to approximately HK\$788,000 (2011: HK\$9,686,000) and HK\$5,189,000 (2011: HK\$17,712,000), respectively. The reduction in the losses over the prior year primarily resulted from decreases in administrative expenses and finance costs. The loss per share for the three months ended 31 March 2012 was 0.20 Hong Kong cents (2011: 1.48 Hong Kong cents).

The administrative expenses for the three months ended 31 March 2012 decreased by approximately 40.8% from HK\$9,493,000 to HK\$5,619,000 as compared to the corresponding period last year. This decrease was primarily due to reductions in salaries and allowances, no professional fees being incurred for shares placements and no inventory being written-off in the current period.

The Group's transactions are denominated in Renminbi, Hong Kong dollars and US dollars and the Group has not entered into any hedging arrangements during the period under review.

At 31 March 2012, the Group had no outstanding bank loans (2011: Nil) nor outstanding hedging instruments (2011: Nil).

BUSINESS REVIEW AND OUTLOOK

Wood products manufacturing and plantation

In order to reduce the transportation costs, we trucked the first shipment of wood flooring products through the land border between the Kingdom of Cambodia ("Cambodia") and Vietnam for loading at the port of Ho Chi Minh City. However, we experienced certain unexpected delay in the custom clearance processes during the course of transit due to the delay in custom clearance in Cambodia and Vietnam. As at the date of this report, we have resolved the issues and it is expected that future shipments can be conducted under this logistics model.

As mentioned in our annual report for 2011, after having acknowledged the adverse impact from the widespread flooding in Cambodia occurred last year, the relevant government officials of Cambodia did not enforce the contractual obligation regarding the field planting and rubber seedlings. Meanwhile, we have also revised the plantation schedule downwards to a total of 1,000 hectares for 2012 and will make a formal application to the Cambodian government in due course. Furthermore, in order to minimize the potential capital requirements for our rubber plantation, we are in the discussion process with certain plantation partners (including state-owned companies in China) for business cooperation.

Coal logistics and trading

We are actively identifying additional customers and suppliers regarding our coal logistics and trading business with a view to making positive contribution to the Group's financial performance.

Plastics and wood products manufacturing

In March 2012, we entered into an acquisition agreement to acquire a further 20% equity interest in Live Rise Technology Limited ("LRT") which is engaged in the design and manufacture of plastic and/or wooden household and related products. LRT has commenced commercial production as at the date of this report.

PROSPECTS

Our wood products manufacturing and plantation business operate in a highly regulated industry in Cambodia. However, we have been making progress to make further shipments of our wood flooring products. As mentioned above, we have resolved the custom clearance with the relevant custom departments of Cambodia and Vietnam so as to establish a cost effective mean to ship our wood flooring products. Furthermore, with the commencement of commercial production of LRT and LRT to become a jointly controlled entity of the Company upon completion of the relevant acquisition agreement, we will be able to gain a greater interest in the manufacturing business of LRT and capture the growth potential of the plastics and wooden industries in China. We will also continue to look for business opportunities which will create synergies to our business and improve our financial performance.

We are also in the course of formulating certain operational policies with an aim to improve our financial position so as to remove our auditors' disclaimer of opinions.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity of interest	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of shareholding in the Company
Mr. Gong Ting	Beneficial Owner	415,000,000	—	15.82%
Mr. Leung Sze Yuan, Alan	Beneficial owner	10,950,917	—	0.42%
		—	5,000,000 <i>(note 1)</i>	0.19%
Mr. Zhang Zhenzhong	Beneficial owner	27,328,000	—	1.04%
		—	5,000,000 <i>(note 2)</i>	0.19%

Notes:

1. Mr. Leung Sze Yuan, Alan granted 5,000,000 share option but not yet exercised.
2. Mr. Zhang Zhenzhong granted 5,000,000 share option but not yet exercised.

Save as disclosed above, as at 31 March 2012, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the minimum standards of dealings by directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Pursuant to an ordinary resolution passed by the shareholders of the Company on 10 June 2011, the Company approved and adopted a new share option scheme (the "Share Option Scheme") and terminated the prior share option scheme which was adopted on 14 December 2001.

The Company granted Share Options for 10,286,000 shares, 9,257,000 shares and 13,300,000 shares to directors and employees of the Group on 12 October 2007, 31 March 2008 and 4 June 2010 at exercise prices of HK\$1.75, HK\$0.815 and HK\$0.365 per share, respectively, for exercise during the 3rd and the 4th years from the date of grant pursuant to its Share Option Scheme. Subsequently, 1,029,000 share options granted to a former director and 7,557,000 share options granted to senior employees have been cancelled after their resignation. On 12 October 2011 and 30 March 2012, 6,173,000 share options and 5,787,000 share options, respectively, were lapsed.

As at 31 March 2012, details of the outstanding options were as follows:

Date of grant	Exercise period	Outstanding as at 1 January 2012 and 31 March 2012
		<i>'000</i>
4/6/2010	04/06/2010 to 03/06/2014	12,300
		12,300

Save as disclosed above, as at 31 March 2012, no other directors or the chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 March 2012, so far as is known to any of the directors or the chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had any interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity of interest	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of shareholding in the Company
Better Day International Limited ("Better Day") (Note)	Beneficial owner	446,370,967	—	17.01%

Note: Better Day is wholly and beneficially owned by Mr. Lo Hung Pan.

Save as disclosed above, as at 31 March 2012, so far as is known to any of the directors or the chief executive of the Company, no other person (other than a director or the chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS

No contracts, commitments or agreements of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors of the Company had a material interest, either directly or indirectly, subsisted during the three months ended 31 March 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors, management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interest with the Group.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

During the three months ended 31 March 2012, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules.

As required by the Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Committee") with written terms of reference which deals with its authority and duties. The Committee's primary duties are to review and to supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the directors.

The Committee comprises three independent non-executive directors, namely, Messrs. Zhang Ying, Tam Wai Leung, Joseph and Wen Huiying.

During the three months ended 31 March 2012, the Committee held one meeting for the purpose of reviewing the Company's reports and financial statements, and providing advice and recommendations to the board of directors.

The Committee members have reviewed the Company's quarterly report for the three months ended 31 March 2012, and were of the opinion that the preparation of such results complied with applicable accounting standards. The Company adopted the required standards on dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding directors' transactions in securities of the Company throughout the three months ended 31 March 2012. The Company's directors confirmed that they have complied with such code of conduct and required standards of dealings throughout the three months ended 31 March 2012.

By order of the Board

Zeng Lingchen

Executive Director

Hong Kong, 11 May 2012