China Asean Resources Limited
神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

First Quarterly Report 2008

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of China Asean Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to China Asean Resources Limited. The directors of China Asean Resources Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

HIGHLIGHTS

- Turnover for the three months ended 31 March 2008 amounted to approximately HK$7,547,000, representing an increase of 26% compared to the corresponding period in 2007.

- For the three months ended 31 March 2008, the Group's loss attributable to equity holders of the Company amounted to approximately HK$6,301,000 (2007: HK$984,000).

- For the three months ended 31 March 2008, loss per share is 0.37 Hong Kong cents (2007: loss per share of 0.12 Hong Kong cents).

- The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: HK$Nil).

- On 20 March 2008, the Company announced that a wholly-owned subsidiary had entered into a very substantial conditional acquisition agreement involving the purchase of the second forest in Cambodia. On the same date, another wholly-owned subsidiary entered into a very substantial conditional sub-concession and cooperation agreement involving the sub-leasing of economic land concession of the first forest in Cambodia to an independent third party.

  Shareholders should refer to the circular dated 9 May 2008 for possible impact on the Group of the above proposed transactions.

RESULTS (UNAUDITED)

The board of directors (the "Board") of China Asean Resources Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2008, together with the comparative unaudited figures for the corresponding period in 2007, as set out below.

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March **2008** ***HK$'000*** **(Unaudited)**	2007 *HK$'000* (Unaudited)
TURNOVER	*2*	**7,547**	5,968
Cost of services/sales		**(4,087)**	(3,679)
Gross profit		**3,460**	2,289
Other revenue		**376**	447
Selling and distribution expenses		**(2,201)**	(1,004)
Administrative expenses		**(7,298)**	(2,453)
Other operating expenses		**(505)**	(3)
Loss from operations		**(6,168)**	(724)
Finance costs	*3*	**(62)**	(22)
Loss before taxation		**(6,230)**	(746)
Taxation	*4*	**–**	–
Loss for the period		**(6,230)**	(746)
Profit/(loss) attributable to:			
Equity holders of the Company		**(6,301)**	(984)
Minority interests		**71**	238
		(6,230)	(746)
Basic loss per share (in Hong Kong cents)	*5*	**(0.37)**	(0.12)

Notes:

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 Governing the Listing of Securities on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The financial information has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

2. TURNOVER

Turnover represents service fees arising from the provision of medical equipment services and sales of related accessories, net of respective taxes; the sale value of medical equipment, net of value-added tax; and service fees arising from the provision of medical research and development services, net of business tax.

Pursuant to various agreements with hospitals in the People's Republic of China (the "PRC"), the Group agrees to provide certain medical equipment at the relevant hospitals and, in return, share the medical service fees arising from the utilisation of the medical equipment after deducting the related direct expenses.

Turnover recognised during the period is analysed as follows:

	For the three months ended 31 March	
	2008	2007
	HK$'000	*HK$'000*
Sales of medical equipment	**7,507**	5,915
Medical equipment service fees and sales of related accessories	**40**	53
	7,547	5,968

The Group did not generate any turnover from its research and development activities during the period (2007: Nil).

3. FINANCE COSTS

	For the three months ended 31 March	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**62**	22
Total interest expenses	**62**	22

4. TAXATION

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2008 (2007: HK$Nil) as the Group did not have any assessable profits chargeable to Hong Kong Profits Tax for the period.

(ii) PRC Income Tax

The Company's subsidiary, Tat Lung Medical Treatment (Shenzhen) Ltd. ("Tat Lung Treatment"), located in the Shenzhen Special Economic Zone ("SSEZ") in the PRC, is subject to PRC income tax at the reduced rate of 15% (2007: 15%). Another subsidiary, Sinnowa Medical Science & Technology Company Ltd. ("Sinnowa"), is subject to PRC income tax of 33% (2007: 33%). According to the relevant income tax rules and regulations in the PRC, Tat Lung Treatment and Sinnowa obtained approval from the state tax bureau that they are entitled to 100% relief from PRC Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

No provision for PRC Income Tax has been made for the Company's other subsidiaries, China Best Drugs Research (Nanjing) Ltd. ("China Best"), China Best Pharmaceutical (Nanjing) Company Ltd. ("CB Pharmaceutical") and Guilin Simei Biotechnology Ltd. ("Guilin Simei") as they did not have any assessable profits for the three months ended 31 March 2008 determined in accordance with the relevant income tax rules and regulations in the PRC.

(iii) Cambodia Tax on Profit

No provision for Cambodia Tax on Profit has been made for the Company's subsidiary, (Cambodia) Tong Min Group Engineering Co., Ltd. ("(Cambodia) Tong Min") as it did not have any assessable profits for the three months ended 31 March 2008 determined in accordance with the relevant tax rules and regulations in Cambodia.

(iv) 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 2008 (2007: HK$Nil).

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the three months ended 31 March 2008 is based on the loss attributable to equity holders of the Company of HK$6,301,000 (2007: HK$984,000) divided by the weighted average number of 1,705,000,000 (2007: 835,000,000) ordinary shares in issue during the relevant period.

(b) Diluted loss per share

No diluted loss per share for the three months ended 31 March 2008 and 2007 have been presented because there were no potential dilutive ordinary shares in existence during the relevant periods.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: HK$Nil).

7. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	70,733	5,265	–	6,068	4,004	86,070	6,339	92,409
Exchange differences	–	–	–	1,142	–	1,142	77	1,219
Profit/(Loss) for the period	–	–	–	–	(984)	(984)	238	(746)
At 31 March 2007	70,733	5,265	–	7,210	3,020	86,228	6,654	92,882
At 1 January 2008	379,783	5,265	1,875	12,277	(17,985)	381,215	6,875	388,090
Exchange differences	–	–	–	3,152	–	3,152	264	3,416
Employees share options scheme	–	–	425	–	–	425	–	425
Profit/(Loss) for the period	–	–	–	–	(6,301)	(6,301)	71	(6,230)
At 31 March 2008	379,783	5,265	2,300	15,429	(24,286)	378,491	7,210	385,701

8. SUBSEQUENT EVENT

On 20 March 2008, the Company announced that a wholly-owned subsidiary had entered into a very substantial conditional acquisition agreement involving the purchase of the second forest in Cambodia. On the same date, another wholly-owned subsidiary entered into a very substantial conditional sub-concession and cooperation agreement involving the sub-leasing of economic land concession of the first forest in Cambodia to an independent third party.

Shareholders should refer to the circular dated 9 May 2008 for possible impact on the Group of the above proposed transactions.

FINANCIAL REVIEW

The Group's turnover for the three months ended 31 March 2008 amounted to approximately HK$7,547,000, representing an increase of 26% compared with the corresponding period last year. The increase was mainly attributable to the substantial increase in the volume of sale of medical equipment during the period.

The loss attributable to equity holders of the Company for the three months ended 31 March 2008 amounted to approximately HK$6,301,000 (2007: HK$984,000).

The operating expenses for the three months ended 31 March 2008 increased by 189% from HK$3,460,000 to HK$10,004,000 compared to the corresponding period last year. The increase was mainly caused by the consolidation of the operating expenses associated with our subsidiaries in Cambodia, which totalled HK$2,730,000. Major expense items included wages and salaries of HK$3,191,000, transportation expenses of HK$1,369,000 and amortization of forest exploitation rights of HK$845,000. Other revenue for the three months ended 31 March 2008 amounted to approximately HK$376,000, representing a decrease of 16% as compared with the corresponding period last year. The decrease was mainly attributable to a decrease in tax refund during the period.

As at 31 March 2008, the Group had a bank loan outstanding in the amount of approximately HK$4,990,000 (2007: Nil). The loan was obtained from a PRC Authorised Credit Union and was secured by buildings and prepaid lease payments of the Group with an aggregate carrying value of HK$7,171,000 at 31 March 2008.

BUSINESS REVIEW

During the period ended 31 March 2008, the Group's revenue mainly generated from the sale of medical equipment. In respect of the research, development and sales of drugs, the Group is focusing its efforts on a Category One anti-cancer drug product. The construction of a new factory building and its annexure designed to manufacture drugs and medicines in Nanjing were completed during the year. Production machinery and air control systems are at an installation stage.

As detailed in the circular dated 9 May 2008, the Group reached in-principal agreement to acquire a second forest concession area measuring approximately 9,555 hectares, which is contiguous to the first concession area in Cambodia. The directors believe that the acquisition of the second concession area will create substantial synergistic value in logging, wood processing, transportation and logistics, and, eventually, in proposed rubber plantation operations. The directors also believe the acquisition will strengthen the Group's market position in the natural resources industry in Cambodia, and improve its business profile and financial performance in the future.

OUTLOOK

Following the acquisition of (Cambodia) Tong Min in October 2007, clearing of the forest area commenced in February 2008, and the first sawn timber production line was commissioned in March 2008. The directors anticipate that an annual sawn timber processing capacity of approximately 25,000 cubic metres will be in place by the third quarter of 2008. Machinery orders for a wood flooring material factory with an annual capacity of 50,000 cubic metres have also been placed and production is expected to commence in the second half of 2008.

The Group will continue to develop its existing medical and pharmaceutical business and forecast that sales of medical equipment will further increase in 2008. For the drug development business, the Group intends to seek approval to commence Phase I clinical trials for its anti-cancer products in 2008. The Group will also finish the fitting out and installation of machinery in Nanjing, seek GMP clearance from the SFDA and continue to support the plantation development in Guilin as a long term investment.

OTHER INFORMATION

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

As at 31 March 2008, 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:

Interests in the Company's shares:

Name	**Number of ordinary shares of HK$0.01 each (the "Shares") in the share capital of the Company held**	**Nature of interests**	**Percentage of interest**
Dr. Li Nga Kuk, James	32,800,000	Personal	1.92%
Mr. Li Wo Hing	37,470,000	Personal	2.20%
	193,360,000	Corporate *(Note)*	11.34%
	230,830,000		13.54%
	4,000,000	(Share option granted but not yet exercised)	
Mr. Li Tai To, Titus	16,400,000	Personal	0.96%

Note: People Market Management Limited ("PMM"), holding 193,360,000 shares, is owned as to 70.58% by Mr. Li Wo Hing. On 12 October 2007, the Company granted 4,000,000 shares under its Option Scheme to Mr. Li with the approval of all independent non-executive directors. Up to the date of this report, no options have been exercised by Mr. Li.

Save as disclosed above, as at 31 March 2008, 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 in 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.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 14 December 2001, the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in the Company's prospectus dated 19 December 2001.

Pursuant to a resolution passed at a meeting of all independent non-executive directors on 12 October 2007, the Group granted share options for 40,000,000 shares (the "1st Grant") to a director and employees of the Group under the Share Option Scheme. Due to change of company policy to promote staff retention and to manage expenses related to granting of employee options, the vesting period of the 1st Grant was increased to two years from one year and the exercise period was reduced to two years from four years. The change of terms for the Share Options were agreed and approved by all grantees as well as all independent non-executive directors.

Pursuant to a resolution passed at a meeting of all directors on 31 March 2008, the Group granted additional share options for 36,000,000 shares (the "2nd Grant") to employees of the Group under the Share Option Scheme with a vesting period of two years and an exercise period of two years.

As at 31 March 2008, no share options had been exercised under the 1st Grant and the 2nd Grant.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 14 December 2001, the Company conditionally approved and adopted a Share Option Scheme pursuant to which any employees and directors of the Company and its subsidiaries may be granted options to subscribe for shares of the Company as described above.

On 12 October 2007, the Group granted share option of 4,000,000 shares to a director, Mr. Li Wo Hing. Pursuant to Clause 11.1 of the Share Option Scheme and the GEM Listing Rule 23.04(1), the options granted under the Scheme to Mr. Li Wo Hing were required to be approved by all the independent non-executive directors of the Company.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or its holding company 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 DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, 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 an 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 of substantial shareholder		Number of shares held	Capacity	Percentage of interests
1.	Zhang Jie	266,666,667	Beneficial owner	15.64%
2.	PMM *(note)*	193,360,000	Beneficial owner	11.34%
3.	Pen Sophal	133,333,333	Beneficial owner	7.82%

Name of substantial shareholder		Number of shares held	Capacity	Percentage of interests
4.	UBS AG	119,350,000	Beneficial owner	7.00%
5.	Keywise Greater China	102,270,000	Beneficial owner	6.00%

Note: As at 31 March 2008, PMM owned 193,360,000 shares, representing approximately 11.34% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James and as to 9.81% by Mr. Li Tai To, Titus. Mr. Li Wo Hing's indirect interest in the 193,360,000 shares through PMM are also disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 31 March 2008, 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 an 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 contract, commitment or agreement 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 2008.

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

During the three months ended 31 March 2008, 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 businesses 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 2008, 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 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. Fan Wan Tat, Tam Wai Leung, Joseph and Chan Kim Chung, Daniel.

During the three months ended 31 March 2008, 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 reviewed the Company's quarterly report for the three months ended 31 March 2008, and are of the opinion that the preparation of such results comply with applicable accounting standards.

The Company has adopted the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' transactions in securities of the Company throughout the three months ended 31 March 2008. 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 2008.

By order of the Board
Li Nga Kuk, James
Chairman

Hong Kong, 13 May 2008