



**China Asean Resources Limited**

**神州东盟资源有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)



**Third 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.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 nine months ended 30 September 2008 amounted to approximately HK\$30,717,000, representing an increase of 6% compared to the corresponding period in 2007.
- For the nine months ended 30 September 2008, the Group's profit attributable to equity holders of the Company amounted to approximately HK\$28,204,000 while a loss attributable to equity holders of the Company of approximately HK\$7,069,000 was recorded during the corresponding period in 2007.
- The completion of the acquisition of the Second Forest took place on 8 July 2008 as detailed in a circular dated 9 May 2008 and, this added timber reserves of approximately 2.31 million cubic metres. The directors consider that this acquisition substantially enhances natural resources business and future profitability potential.
- Following the issue of the 200,000,000 shares as part of the acquisition of the Second Forest on 8 July 2008, the share capital of the Company increased to 1,905,000,000 shares. For the nine months ended 30 September 2008, earnings per share was 1.60 Hong Kong cents (2007: loss per share of 0.82 Hong Kong cents).
- The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (2007: HK\$Nil).

## 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 each of the three months and nine months ended 30 September 2008, together with comparative unaudited figures for the corresponding periods of 2007, as set out below.

### CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
TURNOVER	2	12,869	12,473	30,717	29,099
Cost of services/sales		(7,335)	(6,482)	(17,593)	(15,603)
Gross profit		5,534	5,991	13,124	13,496
Other income		108	997	1,014	1,821
Selling and distribution expenses		(3,810)	(2,419)	(8,515)	(7,356)
Administrative expenses		(7,429)	(8,063)	(25,365)	(12,869)
Other operating expenses		(1,856)	(253)	(3,115)	(905)
Loss from operations		(7,453)	(3,747)	(22,857)	(5,813)
Finance costs	3	(428)	(59)	(563)	(83)
Gain on disposal		–	–	52,080	–
Profit/(loss) before taxation		(7,881)	(3,806)	28,660	(5,896)
Taxation	4	(406)	–	(406)	–
Profit/(loss) for the period		(8,287)	(3,806)	28,254	(5,896)
Profit/(loss) attributable to:					
Equity holders of the Company		(7,863)	(4,613)	28,204	(7,069)
Minority interests		(424)	807	50	1,173
		(8,287)	(3,806)	28,254	(5,896)
Basic earnings/(loss) per share (in Hong Kong cents)	5	(0.44)	(0.50)	1.60	(0.82)

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 Enterprise 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 testing equipment, net of value-added tax; and service fees arising from the provision of medical research and development services, net of business taxes; and, the sale value of agriculture product, net of value-added tax.

Turnover recognised during the respective periods is analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Medical equipment service fees and sales of related accessories	–	–	50	96
Sales of medical equipment	12,783	12,392	30,457	28,922
Research and development services fees	–	81	78	81
Sales of agriculture products	86	–	132	–
	<b>12,869</b>	12,473	<b>30,717</b>	29,099

### 3. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Wholly repayable within five years				
Interest on bank borrowings	107	59	242	83
Interest on HK\$70 million bonds	321	–	321	–
	428	59	563	83

### 4. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax – PRC tax for the period	406	–	406	–

#### (a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months and nine months ended 30 September 2008 (2007: HK\$Nil) as the Group did not have assessable profits chargeable to Hong Kong Profits Tax for the periods.

#### (b) 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 at 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 Pharmaceutical (Nanjing) Company Ltd. and Guilin Simei Biotechnology Ltd. as they did not have assessable profits for the three months and nine months ended 30 September 2008 determined in accordance with the relevant income tax rules and regulations in the PRC.

**(c) Cambodia Tax on Profit**

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 and nine months ended 30 September 2008 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 and nine months ended 30 September 2008 (2007: HK\$Nil).

## **5. EARNINGS/(LOSS) PER SHARE**

**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30 September 2008 is based on the loss attributable to equity holders of the Company of HK\$7,863,000 (2007: HK\$4,613,000) and the earnings attributable to equity holders of the Company of HK\$28,204,000 (2007: loss of HK\$7,069,000), respectively, divided by the weighted average number of 1,767,043,796 (2007: 863,750,916) ordinary shares in issue during the relevant periods.

**(b) Diluted earnings/(loss) per share**

No diluted earnings/(loss) per share for the three months and nine months ended 30 September 2008 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 nine months ended 30 September 2008 (2007: HK\$Nil).

## 7. RESERVES

	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	70,733	5,265	-	6,068	4,004	86,070	6,339	92,409
Premium on new placement	113,560	-	-	-	-	113,560	-	113,560
Currency translation differences	-	-	-	3,092	-	3,092	233	3,325
Profit/(loss) for the period	-	-	-	-	(7,069)	(7,069)	1,173	(5,896)
At 30 September 2007	184,293	5,265	-	9,160	(3,065)	195,653	7,745	203,398
At 1 January 2008	379,783	5,265	1,875	12,277	(17,985)	381,215	6,875	388,090
Premium on new placement	118,000	-	-	-	-	118,000	-	118,000
Employees share options scheme	-	-	3,336	-	-	3,336	-	3,336
Currency translation differences	-	-	-	5,780	-	5,780	466	6,246
Profit for the period	-	-	-	-	28,204	28,204	50	28,254
At 30 September 2008	497,783	5,265	5,211	18,057	10,219	536,535	7,391	543,926



## FINANCIAL REVIEW

The Group's turnover for the nine months ended 30 September 2008 amounted to approximately HK\$30,717,000, representing an increase of 6% compared to the corresponding period in 2007. The increase was mainly attributable to the increase in the volume of sales of medical equipment during the period.

The profit attributable to equity holders of the Company for the nine months ended 30 September 2008 amounted to approximately HK\$28,204,000, whereas a loss attributable to equity holders of approximately HK\$7,069,000 was reported for the corresponding period last year. The earnings per share was 1.60 Hong Kong cents (2007: loss per share of 0.82 Hong Kong cents).

The operating expenses for the nine months ended 30 September 2008 increased by 75% from HK\$21,130,000 to HK\$36,995,000 as compared to the corresponding period last year. This significant increase is primarily a result of (a) start-up expenses in relation to the Cambodia forestry and plantation businesses which incurred operating expenses of approximately HK\$8,508,000; (b) an increase in legal and professional fees associated with the acquisition of the Second Forest and Sub-concession in respect of the First Forest; (c) increases in salaries and wages in head office and the PRC resulting from an increase in headcount; (d) the granting of options to directors and employees of approximately HK\$3,336,000; and (e) amortization of forest exploitation rights of approximately HK\$2,536,000.

As at 30 September 2008, the Group had a bank loan outstanding in the amount of approximately HK\$1,711,000 (2007: HK\$3,098,000). The loan was obtained from a PRC authorised credit union and was secured by certain buildings and prepaid lease payments of the Group.

Following the issue of 200,000,000 shares on 8 July 2008, the share capital of the Company increased to 1,905,000,000 shares. The Group also issued bonds in the principal amount of HK\$70,000,000 and paid the remaining HK\$45,000,000 cash consideration to the vendor upon completion of the acquisition of the Second Forest.

The Group's transactions are denominated in Renminbi, Hong Kong dollars and US dollars and the Group did not enter into any hedging arrangements during the periods under review and had no outstanding hedging instruments (2007: HK\$Nil) at 30 September 2008.

## BUSINESS REVIEW

The Company, together with its subsidiaries, (the “Group”) has been engaged in the research, development and provision of medical devices for cancer treatment and the promotion of anticancer drugs in the PRC. The Group also sells medical testing equipment in the PRC and overseas.

The Group’s sales of medical equipment were HK\$12,783,000 for the third quarter of 2008, moderate increase of 3% as compared to that of the corresponding period in 2007. In the last three months, the Group has increased its budgets on research and development of medical equipment at its newly renovated factory in order to improve the utilisation thereof. The construction of a new factory designed to manufacture drugs and medicines is in the final completion stages. Machine installation, equipment testing and completion of interior fitting work will take place in the fourth quarter and it is anticipated that production will begin in early 2009.

## OUTLOOK

The Board is pleased to announce that the Acquisition of the Second Forest was completed on 8 July 2008. The Second Forest has a total site area of approximately 9,555 hectares (equivalent to approximately 95.55 million sq.m.) with estimated timber reserves 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.

Forest clearing and production of sawn timber from salvage logs have begun in the Group's First Forest in Cambodia. Subject to obtaining the requisite domestic and export sale permits, the Group expects to generate wood product sales beginning in the fourth quarter of 2008. Work is also expected to start on the plantation rubber trees which business is expected to generate sustainable income for the Group upon maturity.

Following the completion of the acquisition of the Second Forest, work has begun on the construction of access roads and bridges. Given the location of the Second Forest is contiguous to the First Forest and the experience gained from the construction work on the First Forest, the Group expects significant savings in time and money in the infrastructure build-out as compared to the First Forest.

With regard to the recent financial tsunami, the Board has been monitoring the changes in global markets and evaluating the possible impact on the overall investment and development plans of the Group. The Group has not invested in any financial instruments and all cash amounts are deposited with banks in Hong Kong or the PRC.

## OTHER INFORMATION

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

As at 30 September 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 in the share capital of the Company held	Nature of interests	Percentage of interest
Dr. Li Nga Kuk, James	32,800,000	Personal	1.72%
Mr. Li Tai To, Titus	16,400,000	Personal	0.86%
Mr. Leung Sze Yuan, Alan	37,800,000 17,000,000	Personal Share options granted but not yet exercised	2.87%
Mr. Zhang Zhenzhong	17,000,000	Share options granted but not yet exercised	0.89%

Save as disclosed above, as at 30 September 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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

On 14 December 2001, the Company had 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.

Save as disclosed above, as at 30 September 2008, 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 DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 September 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 interests 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 interest
Li Wo Hing	37,470,000	Personal	1.96%
	193,360,000	Corporate <i>(Note)</i>	10.15%
	230,830,000		12.11%
Zhang Jie	222,666,667	Personal	11.68%
Greatest Luck International Limited	200,000,000	Beneficial owner	10.49%
PMM <i>(Note)</i>	193,360,000	Beneficial owner	10.15%
UBS AG	119,340,000	Beneficial owner	6.26%
Pen Sophal	107,333,333	Personal	5.63%
Keywise Greater China	102,270,000	Beneficial owner	5.36%

*Note:* As at 30 September 2008, PMM owned 193,360,000 shares, representing approximately 10.15% 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. Accordingly, Mr. Li Wo Hing holds an indirect interest in the 193,360,000 shares through PMM.

Save as disclosed above, as at 30 September 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 any interests 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.

## **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 nine months ended 30 September 2008.

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

During the nine months ended 30 September 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, the 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 interests with the Group.

## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

During the nine months ended 30 September 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 nine months ended 30 September 2008, the Committee held three meetings 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 nine months ended 30 September 2008, and was 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 nine months ended 30 September 2008. The Company's directors confirmed that they have complied with such code of conduct and required standards of dealings throughout the nine months ended 30 September 2008.

By order of the Board  
**Leung Sze Yuan, Alan**  
*Chairman*

Hong Kong, 11 November 2008